JULY-AUGUST 1996
$7.00/£5.00

MONTHLY REVIEW

AN INDEPENDENT SOCIALIST MAGAZINE

CAPITALISM *and* THE INFORMATION AGE

VOL. 48

3

GUEST EDITORS:

Robert W. McChesney, Ellen Meiksins Wood, and John Bellamy Foster

CONTRIBUTIONS BY:

Nicholas Baran
Edward Herman
Ken Hirschkop
Ellen Meiksins Wood
Peter Golding
John Bellamy Foster
Peter Meiksins
Michael Dawson
Robert W. McChesney

7 42055 79772 5 07>

MR/JULY-AUGUST

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CONTENTS VOLUME 48 NUMBER 3 JULY-AUGUST 1996

THE GLOBAL STRUGGLE FOR DEMOCRATIC COMMUNICATION
by Robert W. McChesney 1

MODERNITY, POSTMODERNITY, OR CAPITALISM?
by Ellen Meiksins Wood 21

VIRTUAL CAPITALISM: THE POLITICAL ECONOMY OF THE
INFORMATION HIGHWAY by Michael Dawson and John Bellamy Foster 40

PRIVATIZATION OF TELECOMMUNICATIONS
by Nicholas Baran 59

WORLD WIDE WEDGE: DIVISION AND CONTRADICTION IN THE
GLOBAL INFORMATION INFRASTRUCTURE by Peter Golding 70

DEMOCRACY AND THE NEW TECHNOLOGIES
by Ken Hirschkop 86

WORK, NEW TECHNOLOGY, AND CAPITALISM by Peter Meiksins 99

THE PROPAGANDA MODEL REVISITED by Edward Herman 115

MONTHLY REVIEW (ISSN 0027 0520) is a publication of Monthly Review Foundation, a non-profit institution. It is published monthly except July and August, when bimonthly, and copyright © 1996, by Monthly Review. Periodicals postage paid at New York, NY and additional mailing offices. POSTMASTER: Send all address changes (Form 3579) to Monthly Review Foundation, 122 West 27th Street, New York, NY 10001.

EDITORIAL AND BUSINESS:
122 West 27th Street, New York, NY 10001. Telephone: (212) 691-2555. Fax: (212) 727-3676 Email: mreview@igc.apc.org
Unsolicited manuscripts will not be returned unless accompanied by a stamped, self-addressed envelope. *MR* is indexed in the PAIS Bulletin, Historical Abstracts, America: History and Life, Political Science Abstracts, and the Alternative Press Index, P.O. Box 7729, Baltimore, MD 21218, tel.: (301) 243-2471.

NEWSSTAND DISTRIBUTION:
B.De Boer, Inc., 113 E. Centre Street, Nutley, NJ 07110; Armadillo & Co., 5795 W. Washington Boulevard, Culver City, CA 90232; Small Changes, 3443 Twelfth Avenue West, Seattle, WA 98119; H2W 1Y4, Canada; Central Books, 99 Wallis Road, London, E9 5LN, England.

SUBSCRIPTION PRICE:
U.S.: One year $28 students and senior citizens $23; Foreign $36; students and senior citizens $32.
Libraries and Institutions: U.S. $48; Foreign $55.
Additional Postage: First Class (U.S. and Canada $15); Airmail: Foreign $20.

EDITORS: Paul M. Sweezy Harry Magdoff Leo Huberman (1903-1968)
Associate Editor: W.H. Locke Anderson Assistant Editor: Julia Rabig Circulation Manager: Martin Paddio

NOTES FROM THE EDITORS

State of the World is a report published annually since 1984 by the Worldwatch Institute of Washington, D.C. Its roughly 200 pages of text synthesize a vast amount of information on current developments and trends in the global environment. Its purpose, announced in bold letters at the bottom of the front cover of every issue, is to bring to its readers a "Report on Progress Toward a Sustainable Society." For the most part the content of these reports is extensively researched and presented in straightforward non-technical language. By now translated into most of the world's leading languages, *State of the World* is undoubtably the best-known and most widely available reference work on environmental matters.

When it comes to progress toward a sustainable society, however, there is an all but total absence of good news. The 1989 report ends with a

Continued on inside back cover

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE GLOBAL STRUGGLE FOR DEMOCRATIC COMMUNICATION

by ROBERT W. McCHESNEY

Since the first systems of mass media and telecommunications emerged, their control and structure have been political issues. It has been well understood that the control over the means of communication is an integral aspect of political and economic power. Perhaps the most striking feature of our current age is the increase in prominence—for economics, politics, and culture—of technologically advanced systems of communication and information, that are often global in scope. Moreover, the global communication system is in the midst of a dramatic transformation that is reorganizing industries and revamping modes of regulation. Yet precisely at the historic moment that the social implications of communication appear at their greatest, the subject of how communication systems are controlled and organized and for what purposes is effectively being removed from the range of legitimate political debate, as communication is turned over to the market for profitable exploitation.

In my view, it is mandatory for progressives, democrats, and socialists across the world to resist this trend and to organize around media and communication issues. If we fail to do so, substantive progressive social change will be vastly

Robert W. McChesney teaches journalism at the University of Wisconsin-Madison. He thanks Peter Golding, Ed Herman, Ellen Meiksins Wood, Dan Schiller, George Gerbner, Allen Hunter, and Duke Foster for comments on earlier drafts of this article.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

more difficult to achieve. In this article, when discussing national experiences, I will tend to concentrate upon the United States, because that is the nation with which I am most familiar. In addition, the United States is particularly important for all global communication scholars and activists, as it is there that the model for global commercial communication was developed. To make my argument I will first review the key trends in global communication and the nature of contemporary communication policymaking.

The Communication Revolution

Two trends mark the communication revolution. First, there has been a rapid corporate concentration within media industries, along with a strong drive toward globalization. Although film, books, and recorded music have been global industries dominated by a handful of corporations for much of the century, media markets otherwise have been primarily national in scope. A global oligopolistic market that covers the spectrum of media is now crystallizing with very high barriers to entry. National markets remain and they are indispensable for understanding any particular national situation, but they are becoming secondary in importance.

Today there are five global vertically integrated media companies: News Corp., Disney, Time Warner, Viacom, and TCI. There are several other media firms with global ambitions including General Electric (owner of NBC), Westinghouse (owner of CBS), Sony, Seagram (owner of MCA), and a few European giants led by Philips (owners of PolyGram), Havas, and Bertelsmann AG. These firms tend to make films, books, recorded music, and television programs and own newspapers, magazines, radio stations, cable companies, and television networks. They often are connected to electronics firms and they may have holdings in sports, amusement parks, retail outlets, and leisure enterprises. These firms can take advantage of the complementary nature of their properties such that the profit whole is greater than the sum of the parts. When Disney produces a film, for example, it can promote

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the film across its media properties, show it on its television networks, create a spin-off TV program, sell the soundtrack, publish a book or comic based on the film, create a related amusement park ride and/or video game, and sell paraphernalia related to the film in its retail chain stores. It can also negotiate cross promotions with firms like McDonald's. Smaller firms without widespread—and increasingly global—holdings are less able to take advantage of these cross-selling possibilities and therefore are put at a severe competitive disadvantage. A firm like Time Warner now earns 25 percent of its revenues outside of the United States. By 2000 that figure is expected to reach 40 percent and it is likely that within a decade all the global media firms will earn a majority of their income outside of their home country. The eventual mature global media market should be dominated by five to eight firms with another one or two dozen quite large firms filling regional or niche markets and having working arrangements with one or more of the giants.

Considerable fuel for the growth of global commercial media will be provided by the large increase in global advertising, much of which results from transnational firms' expanding marketing plans. Global advertising is dominated by the 200 or so largest corporations and is conducted largely by a handful of global advertising agencies based in New York, London, Paris and Tokyo. In constant dollars annual global advertising expenditures have risen by 30 percent in the past decade, and forecasts call for it to increase at rates in excess of economic growth through the year 2000 and beyond.[1] One industry analyst predicts global advertising will increase from the 1995 total of $335 billion to $2 trillion in 2020. The North American share of global advertising has fallen from 60 percent in 1970 to 47 percent in 1995. Although U.S. advertising will continue to increase at the pace of U.S. GDP growth, the North American portion of global advertising is projected to continue to decline. The greatest increases will be in Europe and east Asia.[2] Transnational media firms are inexorably linked to global capitalism and often work closely with major marketers in devising programming.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The present and future growth of global media firms is being shaped by the widespread commercialization, deregulation, and privatization of domestic television systems. Until the 1980s most nations maintained these as nonprofit, nonadvertising supported entities, which limited the capacity for a global media market to emerge. The current explosion in satellite digital television provides the basis for inexpensive global commercial broadcasting, which based upon recent experience will probably become a monopoly or duopoly in most parts of the world. This will not be a global market where everyone in the world will consume identical media products; it will be more sophisticated than that. But if the media products are differentiated by region, they nevertheless will be linked to global media concerns and determined by profitability. In short, the present course is one where much of the world's entertainment and journalism will be provided by a handful of enormous firms, with invariably pro-profit and pro-global market political positions on the central social issues of our times. The implications for political democracy, by any rudimentary standard, are troubling.

The second key trend is the development of digital communication and related technological breakthroughs such as wireless mobile communication that make communication much less expensive and more accessible. On one hand, digitalization encourages global communication as worldwide transmission can be nearly instantaneous and relatively inexpensive. It also encourages conglomeration and vertical integration because as all forms of communication turn to digital format, media products become more easily transferable between genres. On the other hand, digital communication can undermine the ability of communication to be controlled in a traditionally hierarchal manner, as it holds the potential of making it easy to produce and distribute high quality material. The most dramatic development along these lines has been the Internet. When one merely considers the social potential of these new technologies, and not the political economic context in which they are being developed, the prospects are breathtaking.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Digital communication also provides the basis for an eventual convergence of the media, telecommunication (meaning telephony primarily), and computer industries. As all communication and information, including data and voice communication, shift to digital format, there is no reason why telephone companies cannot eventually provide television programming over their wires and why cable companies cannot handle telephone traffic over theirs. At some point televisions can become personal computers and vice versa. Computer firms will provide the software necessary to make digital communication accessible and profitable. There are short and medium term technological and regulatory problems that will limit the ability of these three industries to fully converge, and full convergence may never occur. But a high degree of convergence, at least in the form of joint ventures if not in mergers and acquisitions, appears on the horizon.

This has two very important consequences. First, combining the media, telecommunications, and computer industries makes the resultant sector the largest and fastest growing component of the global economy. Based on market capitalization, three of the four largest firms and thirteen of the largest fifty firms in the world fall in this sector.[3] In the 1970s most of the world's telecommunication systems were nonprofit and state-owned monopolies. Today they are being privatized in perhaps the largest liquidation of public property in the history of capitalism. Most of the new for-profit telecommunication companies will be partially owned or formally affiliated with one of the three or four emerging global telecommunication networks. Since 1984 telecom privatizations have generated over $105 billion.[4] Wall Street broking houses Merrill Lynch and Salomon expect that 20 percent of their future investment banking revenues will come from worldwide telecom deals.[5] In other words, communication is at the heart of global capitalism, making the job of progressive media and communication activists that much more difficult and that much more important.

The second consequence of convergence is a new air of uncertainty about the future of the media, telecommunica-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tion, and computer industries. If the Internet or some digital computer network like it comes to eventually dominate, what happens to traditional media and telephone companies? Some technological determinists have taken the Internet to mean the end of corporate for-profit communication, because people will be able to bypass the corporate sector and communicate globally with each other directly. Although the Internet clearly has opened up important space for progressive and democratic communication, the notion that the Internet will permit humanity to leapfrog over capitalism and corporate communication seems dubious unless public policy forcefully restricts the present capitalist colonization of cyberspace.

In the past year capital has shown its teeth as it has salivated over the commercial potential of the Internet. One of the Internet's earliest proponents now concedes that the Internet is shifting

> from being a participatory medium that serves the interest of the public to being a broadcast medium where corporations deliver consumer-oriented information. Interactivity would be reduced to little more than sales transactions and email.[6]

IBM's executive in charge of global computing networks predicts that by the year 2000 the Internet will become "the world's largest, deepest, fastest, and most secure marketplace," accounting for $1 trillion in commercial transactions.[7] "The Internet will evolve along a similar path as broadcasting," a leading Wall Street analyst stated, informing investment managers that "by the end of the decade, four private data broadcasters will emerge that will bundle and package branded content on a global basis to a broad array of personal computers."[8]

If this scenario is accurate, then the battle is between the five to eight media giants and the handful of enormous telecommunication and computer firms to see that they are—or are connected to—one of the winners of the battle for the Internet. These firms and industries do not know how important the Internet will be for reconfiguring the media and telecommunication industries or just how radically different

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the communication landscape will appear in ten or twenty years. But they do know we are in the midst of a technological sea-change and they are doing everything in their immense powers to capitalize upon it and reduce the risk that they may be cut out of the action. In all likelihood each of the major media firms eventually will link up with one or more of the global telecommunication networks. Therefore, the global media oligopoly will transform into a global communication and information oligopoly. In view of all the joint ventures, one suspects it may possibly exhibit some features of a cartel, or perhaps a "gentleman's club."

Lack of Public Debate

Given the magnitude of the communication revolution and all the hype about its importance as the marker of our new age, it is remarkable how little it figures in public debate. Fundamental decisions are being made, but even when they involve governments they tend to be made in semi-secrecy by private interests.

Historically the rise of crucial new communication technologies like broadcasting has generated national public debates over now best to deploy these resources. It was as a result of these debates that public systems of broadcasting were established to serve publicly determined goals, not to generate profit. These debates often took place among society's elites, but there has been periodic popular intervention. The extent to which there is non-elite participation in communication policymaking may be a barometer for the level of democracy in a society. As a rule of thumb, if certain forces thoroughly dominate a society's political economy they will thoroughly dominate its communication system, and the fundamental questions of how the communication system should be organized and for what purposes are not even subject to debate. So it is and so it has been with the Communist Party in various "people's republics," and, for the most part, with big business interests in the United States. By this yardstick, the decline of debate and of public broadcasting and telecom-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

munication systems across the world reflects the increase in the power of capital and a withering of the political culture. Labor and left forces that have traditionally led or at least supported the struggles for public service broadcasting and publicly owned telecommunication systems are far weaker today. There are still national policy debates, and in some nations considerable concern over protecting domestic cultural products from imports, but the balance of power has shifted to the global market.

Moreover, with the rise of global media systems and a global media and communication market, one might logically expect that communication policymaking would enter global policymaking deliberations. In fact, the trend has been in the opposite direction. In the 1970s Third World nations used UNESCO as a forum to champion a drive for a New World Information and Communication Order (NWICO), that would attempt to address the global commercialization of communication as well as the extraordinary and growing imbalance in communication resources between the rich and poor nations. The United States, urged on by powerful media interests, attacked UNESCO for even broaching the NWICO and withdrew from the organization. Since then UNESCO has formally backed down and made clear its desire not to tamper with the global media market in any substantive manner. Most poor countries have been pressured by the IMF and global capital markets to reject state or public involvement with media and communication, and to privatize their media and telecommunication systems. This is seen as indispensable to the integration of nations into the global market political economy. The public broadcasting systems in the rich countries have been advised to alter their mandates to conform to the global market and to become commercially viable. With the increasing significance of the global communication market for capital accumulation, the main global arena for the consideration of communication issues is now the World Trade Organization. The WTO battles to protect corporate intellectual property copyright in emerging economies and it has established the complete privatization and liberalization

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of global telecommunication as among its foremost goals for the 1990s.

The impetus for the global commercial media and communication market comes primarily, though by no means exclusively, from the United States. A majority of the global media giants are U.S. based firms, and the remainder all do significant business in the United States. U.S communication laws and regulations go a long way toward setting standards for the global market. The U.S. market-driven media system is presented to the world as the truly democratic regulatory mechanism because it "gives the people what they want," whereas any other approach requires bureaucrats to interfere with people's genuine market expressed desires. It is in the United States, too, that the decline of public debate over communication is the most developed. Media and communication activists worldwide must come to terms with the U.S. experience and the claims of market perfection in order to comprehend the global situation.

The U.S. Experience

It might surprise most people to know that a love for commercial media is not genetically encoded into persons born in the United States. It is an acquired taste. When radio broadcasting emerged in the 1920s few thought it had any commercial potential.[9] Many of broadcasting's pioneers were non-profit organizations interested in public service. It was only in the late 1920s that capitalists began to sense that through network operation and commercial advertising, radio broadcasting could generate substantial profits. Through their immense power in Washington D.C., these commercial broadcasters were able to dominate the Federal Radio Commission such that the scarce number of air channels were effectively turned over to them with no public and little congressional deliberation on the matter.

It was in the aftermath of this commercialization of the airwaves that elements of U.S. society coalesced into a broadcast reform movement that attempted to establish a dominant

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

role for the nonprofit and noncommercial sector in U.S. broadcasting. These opponents of commercialism came from education, religion, labor, and journalism, as well as from civic organizations, women's groups, farmers' groups, civil libertarians, and intellectuals. The reformers attempted to tap into the intense public dislike for radio commercialism in the years before 1934 when Congress annually considered legislation for the permanent regulation of radio broadcasting. These reformers were explicitly and nonnegotiably radical; they argued that if private interests controlled the medium and their goal was profit, no amount of regulation or self-regulation could overcome the bias built into the system. Commercial broadcasting, the reformers argued, would downplay controversial, pro-working class and provocative public affairs programming and emphasize whatever fare would sell the most products for advertisers.

The reform movement disintegrated after the passage of the Communications Act of 1934, which established the FCC. The 1930s reformers did not lose to the commercial interests, however, in any fair debate on a level playing field. The radio lobby dominated because it was able to keep most Americans ignorant or confused about the communication policy matters then under discussion in Congress through their control of key elements of the news media and their sophisticated public relations aimed at the remainder of the press and the public. In addition, the commercial broadcasters became a force that few politicians wished to antagonize; almost all of the congressional leaders of broadcast reform in 1931-32 were defeated in their re-election attempts, a fate not lost on those who entered the next Congress. With the defeat of the reformers, the industry claims that commercial broadcasting was inherently democratic and American went without challenge and became internalized in the political culture.

Thereafter the only legitimate manner to criticize U.S. broadcasting was to assert that it was uncompetitive or "excessively" commercial, and therefore needed moderate regulation to protect the public interest while not damaging the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

commercial viability of the industry. The basis for the "liberal" claim for regulation was that the scarce number of channels necessitated regulation, not that the capitalist basis of the industry was fundamentally flawed. This was a far cry from the criticism of the 1930s broadcast reformers, who argued that the problem was not simply one of lack of competition in the marketplace, as much as it was the rule of the marketplace per se. It also means that with the vast expansion in the number of channels in the current communication revolution, the scarcity argument has lost its power and liberals are at a loss to withstand the deregulatory juggernaut.

This constricted range of policy debate was the context for the development of subsequent communication technologies including facsimile, FM radio, and television in the 1940s. That the communication corporations had first claim to these technologies was unchallenged, even to public service minded New Dealers. In comparison to the public debate over radio in the 1930s, there was almost no public debate concerning alternative ways to develop these technologies. By the 1940s and thereafter liberals knew the commercial basis of the system was inviolate, and merely tried to carve out a nonprofit sector on the margins. This was problematic, since whenever these nonprofit niches were seen as blocking profitable expansion, their future was on thin ice. Thus the primary function of the nonprofit sector in U.S. communications has been to pioneer the new technologies when they were not yet considered profitable—e.g. AM radio in the 1920s, FM radio and UHF television in the 1950s—and then to be pushed aside once they had shown the commercial interests the potential of the new media. This looks to be the fate of the Internet as well. In many cases, such as the Internet, satellites, and digital communication, these technologies were developed through research funds provided by the federal government. Once the technologies proved profitable, however, they were turned over to private interests with negligible compensation.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The U.S. Telecommunications Act of 1996

With the digital revolution, the boundaries recognized and codified between broadcasting and telephony in the 1934 Communications Act have broken down. Indeed the barriers between all forms of communication are breaking down, and communication laws everywhere are becoming outdated. The U.S. Congress passed, and President Clinton signed into law, the Telecommunications Act of 1996 to replace the 1934 law. The overarching purpose of the 1996 Telecommunications Act is to deregulate all communication industries and to permit the market, not public policy, to determine the course of the information highway and the communications system. It is roundly considered one of the three or four most important federal laws of this generation, and it will go a long way toward shaping the main players in the global communication marketplace.

Even by the minimal standards of the 1934 Act, the debate surrounding the 1996 Telecommunications Act was a farce. Some of the law was actually written by the lobbyists for the communication firms it affects. The only "debate" was concerning whether the broadcasters, long-distance companies, local telephone providers, or cable companies would get the inside track in the deregulatory race. Consistent with the pattern set in the middle 1930s, the primacy of corporate control and the profit motive was a given. The range of legitimate debate extended from those like Newt Gingrich, who argue profits are synonymous with public service, to those like Vice-President Al Gore, who argue there are public interest concerns the marketplace cannot resolve, but they can only be addressed once the profitability of the dominant corporate sector has been assured. The historical record with communication regulation indicates that although the Gore position can be gussied up, once the needs of corporations are given primacy, the public interest will invariably be pushed to the margins.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

This situation exists for many of the same reasons the broadcast reformers were demolished in the 1930s. Politicians may favor one sector over another in the battle to cash in on the highway, but they cannot oppose the cashing in process, except at the risk of placing their political careers in jeopardy. Both the Democratic and Republican parties have strong ties to the large communication firms and industries, and the communication lobbies are perhaps the most feared, respected, and well-endowed of all that seek favors on Capitol Hill. The only grounds for political independence in this case would be if there were an informed and mobilized citizenry ready to do battle for alternative policies. But where would citizens get informed except through the news media, where news coverage is minimal and restricted to the range of legitimate debate, which, in this case, means no debate at all. That is why the Telecommunications Act was covered (rather extensively) as a business story, not a public policy story. "I have never seen anything like the Telecommunications Bill," one career lobbyist noted. "The silence of public debate is deafening. A bill with such astonishing impact on all of us is not even being discussed."[10]

In sum, the debate over communications policy is restricted to elites and those with serious financial stakes in the outcome. It does not reflect well on the caliber of U.S. participatory democracy, but it is capitalist democracy at its best. The politicians of both parties promised the public that the Telecommunications Act would provide a spurt in big-paying jobs and intense market competition in communications, a "digital free-for-all" as one liberal Democrat put it. An even cursory reading of the business press at the same time would reveal that those who benefited from the law knew these claims to be half-truths or outright lies. These are oligopolistic industries that strongly discourage all but the most judiciously planned competition. It is more likely that deregulation will lead to merger activity, increased concentration, and continued "downsizing."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Markets as Civic Religion

In the end, the case for "liberalized" communication relies upon the ideology of the infallible marketplace, a virtual civic religion in the United States and globally in the 1990s. Unless communication and media activists deal with it directly and debunk it, they have little chance of success. This pro-market argument remains infallible only to the extent that it is a religion based on faith and not a political theory subject to inquiry and examination.

Under careful examination, the market is a highly flawed regulatory mechanism. In markets, one's income and wealth determine one's power. Viewed in this manner, the market is more a plutocratic mechanism than a democratic one. In communication this means that the emerging system is tailored to the needs of business and the affluent. Nor do markets "give the people what they want" as much as they "give the people what they want within the range of what is most profitable to produce and/or in the political interests of the producers." This is often a far narrower range than what people might enjoy choosing from. Thus, in the case of 1930s broadcasting, many Americans may well have been willing to pay for an advertising-free system, but this was a choice that was not profitable for the dominant commercial interests, so it was not offered in the marketplace. Moreover, markets, driven as they are by the need to generate profit, are utterly incapable of factoring in any values that cannot be readily translated into bottom line success. Even in the wealthiest capitalist economies, issues of clear importance to the bulk of the population such as universal education, health care, and employment as well as environmental quality cannot be adequately addressed through the market. In fact, these values must be enforced by the state and they are generally opposed by market interests as unwarranted intrusions into their control over the political economy. Finally, markets encourage a selfishness that undermines the spirit of community necessary to make democracy a viable proposition.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Much of the ideological strength of markets as a regulatory mechanism for media comes from the metaphor of the "marketplace of ideas." The image conjured by this term is one where as long as there is no government interference, all varieties of ideas will blossom under democracy's sun with the truth growing tallest. The market is assumed to be a neutral and value-free regulatory mechanism. In fact, for the reasons mentioned above, a commercial "marketplace" of ideas has a strong bias toward rewarding ideas supportive of the status quo and marginalizing socially dissident views. Markets tend to reproduce social inequality economically, politically, and ideologically. The metaphor serves to mystify the actual corporate domination of our communication system and therefore provides the commercial interests with a valuable shield from rightful public criticism and participation in the policymaking process. As David Kairys has noted, in the nineteenth century the image of the market was used to expand the range of freedom of speech. In the late twentieth century, the image of free speech has been used to expand the range and power of the market. So it has been that much of the "expansion" of the U.S. First Amendment in the past generation has been to protect commercial speech (e.g. advertising) and profit-making activities from government regulation, effectively making such "speech" part of the constitution and off-limits to political consideration.[11] This myopic interpretation of the First Amendment, where markets can do no wrong, has had the ironic effect of expanding formal free speech while helping to shrink the effective range and quality of political debate.

If not the market, what then would be a truly democratic manner to generate communication policymaking, especially in an era of technological upheaval like ours? The historical record points to two basic principles. First, citizens must determine the nature of their communication system through full and open political debate, precisely the opposite of what led up to the passage of the U.S. Telecommunications Act. Is such public participation an absurd idea? Hardly. In the late 1920s, Canada, noting the rapid commercialization of the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

U.S. and Canadian airwaves, convened precisely such a public debate over broadcasting that included public hearings in twenty-five cities in all nine provinces. The final decision to develop a nonprofit system was adopted three years later after a further period of active debate. Putting politics before profits in communication policymaking also means that the pace of technological innovation can be brought under rational control, with longterm social and political consequences taken into consideration.

Second, if such a public debate determines that the communication system needs a significant nonprofit and noncommercial component, the dominant sector of the system must be nonprofit, noncommercial, and accountable to the public. The historical record in the United States and globally is emphatic in this regard. In addition, commercial interests, too, must also be held to carefully administered public service standards. There are justified reservations about government involvement with communication. The purpose of policymaking, in this case, should be to determine how to deploy these technologies to create a decentralized, accountable nonprofit and noncommercial sector, that can provide a viable service to the entire population. One suspects that if a society like the United States devoted to this problem only a fraction of the time that it has devoted to commercializing communication, we could find some workable public service models.

Left Strategies

Progressives therefore need to put communication on the political agenda and then work for nonprofit and noncommercial alternatives to the status quo. Potential support will come from all those who do not benefit from the existing system. The heart of the movement must come from those portions of the population already organized for political activism. Regardless of what a progressive group's first issue of importance is, its second issue should be media and communication. This applies to all social movements. Organizations like the Cultural Environment Movement have a vital

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

role to play in organizing coalitions to battle global commercial media. Alliances should be struck with progressive teachers unions and librarians who are battling the privatization and commercialization of their fields, often by the same forces. And any political party that claims to act on behalf of the bulk of the population, and against capital, must incorporate progressive media and communications into the core of its platform.

Organized labor has a crucial role to play. It is uniquely situated with the resources and the perspective to battle the media and communication status quo. After a long hibernation, it is becoming understood among elements of the U.S. labor movement that labor's demise has been partially due to the rightwing ideological assault against unionism and progressive government policies, with which the commercial media has been effectively complicit. In the 1940s there were over one thousand full time labor beat reporters and editors on U.S. daily newspapers. Today there are seven. Labor needs to devote significant resources to the policy battles against profit-driven communication and for public broadcasting. It needs to subsidize a healthy independent noncommercial journalism and media. It needs to learn the conventions of mainstream journalism well enough to improve the amount and quality of its coverage. In sum, the labor movement needs to learn from its enemies and take ideological warfare as seriously as economic warfare.

Communication workers in particular are vital to communication activism, as they are in the center of the maelstrom. In Canada and parts of Europe the communication unions are the ones who are leading the fight against privatization and deregulation of telecommunications. These unions recognize that traditional campaigns to protect jobs and benefits in the short term may enjoy some success, but they do nothing to address the longterm trajectory of the industry, which is fiercely anti-labor. They are moving therefore toward a position of providing a broader vision of communication where the workers and not investors are the representatives of the public interest. Communications unions are forming

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

alliances with consumer and community groups to advocate a socially responsive vision of a non-market telecommunication system. This model of progressive social unionism may be worthy of emulation by all of the labor movement, not just those unions connected to the communication industries.

The immediate goal should be to stop the wave of telecommunication privatizations or, if that is not possible, to at least gain strict public service regulations over private telecommunication activities. Likewise the selling off of the electromagnetic spectrum must be opposed on principle. State-run telecommunication systems have had severe flaws, as have public broadcasting systems. In both cases it is imperative to protect the public nature of the enterprises and then to organize to improve the service and make the systems more accountable to the public. It is the national telecommunication providers around the world that have the ability to provide universal service and fulfill other public service principles that would be unthinkable in a profit-driven system. This is an especially acute issue in the era of the Internet, when access to phone lines may be the dividing line between information haves and have-nots. It is the telecommunication workers who must be at the forefront of movements to prevent the privatization and commercialization of the Internet. Moreover, in many nations these telecom privatizations reek of corruption. It is an issue that can be organized around.

Progressives must also organize around the need to maintain or create a healthy and vibrant journalism. The corporate concentration of ownership, profit-motive, and the reliance upon advertising have converted much of U.S. journalism into a travesty of entertainment, crime, and natural disaster stories. Journalism that gets the owners in trouble with powerful people is not appreciated. The professional autonomy of journalists—always an ambiguous notion, especially in a commercial environment—has suffered severe body blows. Real journalism is not profitable, and the amount of resources dedicated to it has been cut back. In short, the market has little apparent interest in serious journalism—unless it is aimed at the investor/management class and directed to their

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

needs and prejudices—nor is any in the offing. The global journalism of the media giants tends to be a tepid product deeply embedded into the capitalism it promotes and from which it profits. It is an affront to the communication requirements of a democracy. At its worst, the commissars of global journalism—people like Rupert Murdoch and TCI's John Malone—use their power to support rabidly pro-market rightwing political journalism.

The battle for democratic journalism takes place on many fronts. It means opposing media mergers. It means fighting legislation like the U.S. Telecommunications Act that sacrifices the public interest to the market. It means supporting a viable public broadcasting service. It means working to see that any possible number of new non-profit, community, and public access media are developed, in broadcasting or online. It means fighting to tax advertising (to subsidize nonprofit media) and slow down the commercial charge into every nook and cranny of human existence. It means encouraging journalist and media unions so they will have more leverage to battle their bosses. It means working with activist groups like the U.S. FAIR that monitor the mainstream press and provide an invaluable corrective to its flaws. Whatever hope there is for dissident views entering mainstream journalism must be pursued. Nor should the fight concern only journalism. Efforts to subsidize artistic work—such as film boards—outside of the global media market should be encouraged. Once the principle is understood there are any number of methods to accomplish the goal.

The struggle takes place at the local, national, and global levels. The primary fight remains to steer national policies toward the public interest and away from service to the private sector and global capital. Progressives also must organize to strengthen those international bodies such as the UN, UNESCO, and UNCTAD that have the potential for advocating global public service communication and addressing the market-magnified inequality across classes and nations. Progressives must battle to reconstruct or eliminate those global bodies that represent the interests of capital, like

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the WTO and the IMF. This then reveals the nature of the fight for democratic communication: it is inevitably a fight against capital, with all that that entails. The battle for democratic media is a necessary aspect of the battle for democratic society, or socialism.

This special issue of *Monthly Review* is intended to provide left perspectives on the information age and the communication revolution. Our goals are to locate the information age in historical, political, and economic context, to assess the probable course of the Internet and the communication revolution in light of their relationships to really existing capitalism, and to lay the foundation for a critique that leads to political activity.

NOTES

1. *Advertising Expenditure Forecasts* (London: Zenith Media, December, 1995).
2. Robert J. Coen, "The Advertising Trends up to 2020," paper presented to Marketing 2020 Conference, New York, 6 March, 1995.
3. "FT 500," *Financial Times*, 25 January 1996, p. 2.
4. Conner Middlemann, "Lines to Investors Buzz with Avalanche of Issues," *Financial Times*, 12 June, 1995, p. 19.
5. Tony Jackson, "Ringing Rapid Changes in Telecoms," *Financial Times*, 12 February 1996, p. 24.
6. Frank Beacham, "Net Loss," *Extra!* (May/June 1996): 16.
7. Paul Taylor, "Internet users 'likely to reach 500 m by 2000,'" *Financial Times*, 13 May 1996, p. 4.
8. Christopher Dixon, presentation to Association of Investment Management and Research, 31 January 1996, New York City, p. 9.
9. The story is told in greater detail in Robert W. McChesney, *Telecommunication, Mass Media, and Democracy: The Battle for the Control of U.S. Broadcasting, 1928-1935* (New York: Oxford University Press, 1993).
10. Charles Bien to author, 6 July 1995.
11. See, for example, Paul M. Barrett, "Supreme Court Makes it Harder to Limit Ads," *Wall Street Journal*, 14 May 1996, p. B1.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

MODERNITY, POSTMODERNITY, OR CAPITALISM?

by ELLEN MEIKSINS WOOD

Since about the early 1970s, we are supposed to have been living in a new historical epoch. That epoch has been described in various ways. Some accounts emphasize cultural changes ("postmodernism"), while others focus more on economic transformations, changes in production and marketing, or in corporate and financial organization ("late capitalism," "multinational capitalism," "post-Fordism," "flexible accumulation," and so on). These descriptions have in common a preoccupation with new technologies, new forms of communication, the internet, the "information superhighway." Whatever else this new age is, it is the "information age." And whatever other factors are supposed to have figured in this epochal shift, the new technologies have been its indispensable condition. All these factors—cultural and economic, with their technological foundations—have been brought together in the concept of "postmodernity" and the proposition that in the past two or three decades, we have witnessed a historic transition from modernity to postmodernity.

This article is based on a talk, revised and enlarged, originally presented at the Socialist Scholars Conference in April of this year, for a panel organized by *Monthly Review*. A somewhat different version was presented a few weeks later at a conference, "The Direction of Contemporary Capitalism," at the University of Sussex in Britain.

Ellen Wood is the author of *Democracy Against Capitalism*. (Cambridge University Press, 1995).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

From Modernity to Postmodernity

I'd like to consider what is involved in periodizing the history of capitalism into these two major phases, modernity and postmodernity. Then I will look more closely at what seems to me wrong with the concept of modernity itself. If that concept cannot stand up, it should follow that there will not be much left of postmodernity. My main objective is to consider whether this periodization helps or hinders our understanding of capitalism.

I'd better make one thing clear at the start: of course it is important to analyze the never-ending changes in capitalism. But periodization involves more than just tracking the process of change. To propose a periodization of epochal shifts is to say something about what is essential in defining a social form like capitalism. Epochal shifts have to do with basic transformations in some essential constitutive element of the system. In other words, how we periodize capitalism depends on how we define the system in the first place. The question then is this: what do concepts like modernity and postmodernity tell us about the ways in which the people who use them understand capitalism?

I'd better explain, too, that I'm not going to be talking about the ideas of people we loosely call, or who call themselves, postmodern*ists*. What I'm mainly concerned with here is the political economy of what some people, including Marxists like Fred Jameson and David Harvey, are calling postmodernity. So let me sketch out very briefly what they have in mind.[1]

According to theorists like Jameson and Harvey, modernity and postmodernity represent two different phases of capitalism. The shift from one to the other has not been a shift from capitalism to some postcapitalist or "postindustrial" era, and the basic logic of capitalist accumulation still applies. But there has nevertheless been a sea-change in the nature of capitalism, a shift from one material configuration to another, expressed in a transition from one cultural formation to a different one.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

For Jameson, for instance, postmodernity corresponds to "late capitalism" or a new multinational, "informational" and "consumerist" phase of capitalism. David Harvey, following the French Regulation School, would describe it as a transition from Fordism to flexible accumulation. A similar idea occurs in rather less nuanced form in certain theories of "disorganized capitalism."[2] Postmodernity then corresponds to a phase of capitalism where mass production of standardized goods, and the forms of labor associated with it, have been replaced by flexibility: new forms of production such as "lean production," the "team concept," and "just-in-time" production; diversification of commodities for niche markets; a "flexible" labor force; mobile capital, and so on, all made possible by new informational technologies.

Corresponding to these shifts, according to these theories, there have been major cultural changes. One important way of explaining these changes, notably in Harvey's account of postmodernity, has to do with a "time-space compression," the acceleration of time and the contraction of space made possible by new technologies, in new forms of telecommunication, in fast new methods of production and marketing, new patterns of consumption, new modes of financial organization. The result has been a new cultural and intellectual configuration, labelled "postmodernism," which is said to have replaced the culture of modernism and the intellectual patterns associated with the "project of modernity."

The project of modernity, according to these accounts, had its origins in the Enlightenment, though it came to fruition in the nineteenth century. The so-called Enlightenment project is supposed to represent rationalism, technocentrism, the standardization of knowledge and production, a belief in linear progress and universal, absolute truths. Postmodernism is supposed to be a reaction to the project of modernity—though it can also be seen as rooted in modernism, in the skepticism, the sensitivity to change and contingency that was already present in the Enlightenment. Postmodernism sees the world as essentially fragmented and indeterminate, and rejects any "totalizing" discourses, any

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

so-called "meta-narratives," comprehensive and universalistic theories about the world and history. It also rejects any universalistic political projects, even universalistic emancipatory projects—in other words, projects for a general "human emancipation" rather than very particular struggles against very diverse and particular oppressions.

What, then, are the implications of dividing the history of capitalism into these phases, modernity and postmodernity? The first important thing to keep in mind is that modernity is identified with capitalism. This identification may seem fairly innocuous, but I'm going to argue that it is a fundamental mistake, that the so-called project of modernity may have little to do with capitalism.

The second point is that this periodization seems to mean that there are really two major phases in capitalism and one major rupture. First, modernity seems to be everything from the eighteenth century until (probably) the 1970s (Harvey actually gives it a very precise date: 1972). You can subdivide the long phase of modernity into smaller phases (as both Jameson and Harvey do), but postmodernity seems to represent a distinctive kind of break. People may disagree about exactly when the break took place, or about its magnitude. But they seem to agree that this break is different from other epochal changes in the history of capitalism. It seems to be a break not just from some immediately preceding phase but from the whole preceding history of capitalism. At least, that seems to be the inescapable implication of tracing modernity back to the Enlightenment. So there is a major interruption in the history of capitalism somewhere between modernity and postmodernity. I'm going to argue that this interruption, or at least this way of looking at it, is problematic too.

I'll take each of these points separately: first, the concept of modernity and the identification of modernity with capitalism; and then the question of the historic rupture in the latter half of the twentieth century. I am going to argue that the theory of postmodernity that emphasizes the discontinuities *within* capitalism is based, explicitly or implicitly, on a theory of history that downplays the discontinuities *between* capitalist

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and non-capitalist societies, a theory that disguises the historical specificity of capitalism.

Modernity and the Non-History of Capitalism

Let us look first at the identification of modernity with capitalism. For that, we have to begin at the beginning, with the origin of the capitalist system.[3] The main point I want to make is this: in most accounts of capitalism, there really is no beginning. Capitalism seems always to be there, somewhere; and it only needs to be released from its chains, from the fetters of feudalism (or whatever), to be allowed to grow and mature. The seeds of capitalism seem to be contained in the most primitive acts of exchange, in any form of trade or market activity. That assumption is typically connected with another one, namely that history has been an almost natural process of technological development. One way or another, capitalism more or less naturally appears when and where expanding markets and technological development reach the right level. A lot of Marxist explanations are pretty much the same—with the addition of bourgeois revolutions to help break through the fetters.

The effect of these explanations is to stress the continuity between non-capitalist and capitalist societies and to deny or disguise the specificity of capitalism. Exchange has existed since time immemorial, and it seems that the capitalist market is just more of the same. In this kind of argument, capitalism's need to revolutionize the forces of production is just an extension and an acceleration of universal and transhistorical, almost natural, tendencies. So the lineage of capitalism passes naturally from the earliest merchant through the medieval burgher to the Enlightenment bourgeois and finally to the industrial capitalist.

I think there is a similar logic in certain Marxist versions of this story, even though the narrative in more recent versions often shifts from the town to the countryside, and merchants are replaced by rural commodity producers. In these versions, petty commodity production, released from the bonds of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

feudalism, more or less naturally grows into capitalism. In other words, petty commodity producers, given half the chance, will take the capitalist road.

What gets lost in these narratives is a perception of the capitalist market as a specific social form, the product of a dramatic historical rupture. The capitalist market looks more like an opportunity than a compulsion—the imperative of accumulation and profit-maximization—that is rooted in specific social property relations and that creates its own specific drive to improve labor productivity by technical means.

I think the concept of modernity as it is commonly used belongs to this standard view of history, which takes capitalism for granted as the outcome of already existing tendencies, even natural laws, when and where they are given a chance. In the evolutionary process leading from early forms of exchange to modern industrial capitalism, modernity kicks in when these shackled economic forces, the economic rationality of the bourgeois, are liberated from traditional constraints.

So this concept of modernity belongs to a view of history that cuts across the great divide between capitalist and non-capitalist societies. It treats specifically capitalist laws of motion as if they were the universal laws of history. And it lumps together very different historical developments, capitalist and non-capitalist. At its worst, then, this view of history makes capitalism historically invisible. At the very least, it naturalizes capitalism.

It's important to notice, too, that even anti-modernism can have the same effect of naturalizing capitalism. You can see this already in the sociological theories of Max Weber: modern history, he says, has been a long process of rationalization, the rationalization of the state in bureaucratic organization and the rationalization of the economy in industrial capitalism. The effect of this process—the progress of reason and freedom associated with the Enlightenment—has been to liberate humanity from traditional constraints; but at the same time, rationalization produces and disguises a new oppression, the "iron cage" of modern organizational forms. The paradoxical implication here is that capitalism and bu-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

reaucratic domination are just natural extensions of the progress of reason and freedom. In Weber's theory, we can already see one of the characteristic paradoxes of today's postmodernism: in anti-modernism there is often no great distance between lament and celebration.

Modernity and the "Enlightenment Project"

I've suggested that the conflation of capitalism with modernity has the effect of disguising the specificity of capitalism, if not conceptualizing it away altogether. My point, however, is not just that capitalism is historically specific. The other side of the coin is that, if this so-called modernity does not have much to do with capitalism, then the identification of capitalism with modernity may disguise the specificity of modernity too.

I'll illustrate what I mean by going straight to the fountainhead of this so-called modernity, the Enlightenment. Here, again, are some of the main features of modernity that are supposed to go back to the Enlightenment: rationalism and an obsession with rational planning, a fondness for "totalizing" views of the world, the standardization of knowledge, universalism—a belief in universal truths and values—and a belief in linear progress, especially the progress of reason and freedom. These features are supposed to be associated with the development of capitalism, either because early capitalism, in the process of unfolding itself, created them, or because the advancement of these principles, such as rationalization, brought capitalism with it.

As we all know, it has become the height of fashion to attack the so-called Enlightenment project. These Enlightenment values I have just been enumerating are supposed to be—and here I will quote one of the milder indictments—"at the root of the disasters that have racked humanity throughout this century,"[4] everything from world wars and imperialism to ecological destruction. There's no space here to go into all the nonsense that is spouted these days about the Enlightenment. So I'll just make one simple point: the conflation of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"modernity" with capitalism encourages us to throw out the baby with the bath water, or, more precisely, to keep the bath water and throw out the baby.

Postmodernists are inviting us to jettison all that is best in the Enlightenment project—especially its commitment to a universal human emancipation—and asking us to blame these values for the destructive effects we should be ascribing to capitalism. Marxist theorists of postmodernity like Harvey and Jameson generally do not fall into this trap, but their periodization does not help much to avoid it. What I want to suggest here is that it might be useful to separate out the Enlightenment project from those aspects of our current condition that overwhelmingly belong not to the "project of modernity" but to capitalism. This might, by the way, be useful not just in countering anti-Enlightenment postmodernism but also capitalist triumphalism (though maybe they come down to the same thing). Anyway, the obvious way to start is to look at the question historically.

My own argument, to put it baldly, is that much of the Enlightenment project belongs to a distinctly non-capitalist society, not just pre-capitalist but non-capitalist. Many features of the Enlightenment, in other words, are rooted in non-capitalist social property relations. They belong to a social form which, I think, is not just a transitional point on the way to capitalism but an alternative route out of feudalism.

I'll try to give you a quick sampling of the kind of thing I have in mind. First, a quick sketch of the relevant historical context: the absolutist state in eighteenth century France. The main thing about the French absolutist state was that it functioned not just as a political form but as an economic resource for a substantial section of the ruling class. In that sense, it represents not just the political but the economic or material context of the Enlightenment. The absolutist state was a centralized instrument of extra-economic surplus extraction, and office in the state was a form of property that gave its possessors access to peasant-produced surpluses. There also were other, decentralized forms of extra-economic appropriation, the residues of feudalism and its so-called "parcellized

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sovereignties." These forms of extra-economic appropriation were, in other words, directly antithetical to the purely economic form of capitalist exploitation.

Now think about the fact that the principal home of the so-called project of modernity, eighteenth century France, is a predominantly rural society, with a limited and fragmented internal market, which still operates on non-capitalist principles, not the appropriation of surplus value from commodified labor-power, not the creation of value in production, but rather the age-old practices of commercial profit-taking—profit on alienation, buying cheap and selling dear, trading typically in luxury goods or supplying the state—with an overwhelmingly peasant population that is the antithesis of a mass consumer market. As for the bourgeoisie, which is supposed to be the main material source, so to speak, of the Enlightenment, it is not a capitalist class. In fact, it is not, for the most part, even a traditional commercial class. The main bourgeois actors here, and later in the French Revolution, are professionals, office-holders, and intellectuals. Their quarrel with the aristocracy has little to do with liberating capitalism from the fetters of feudalism.

So where are the principles of so-called modernity coming from? Are they coming out of a new but growing capitalism? Do they represent an aspiring capitalist class struggling against a feudal aristocracy? Can we at least say that capitalism is the unintended consequence of the project of modernity? Or does that project represent something different?

Consider the class interests of the French bourgeoisie. One way of focusing on them is to project forward to the French Revolution, the culmination of the Enlightenment project. What were the main revolutionary objectives of the bourgeoisie? At the core of their program were civil equality, the attack on privilege, and a demand for "careers open to talent." This meant, for example, equal access to the highest state offices, which the aristocracy tended to monopolize and were threatening to close off altogether. It also meant a more equitable system of taxation, so that the burden would not be disproportionately carried by the Third Estate for the benefit

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of the privileged estates, among whose most cherished privileges were exemptions from taxation. The main targets of these complaints were the aristocracy and the Church.

So how did these bourgeois interests express themselves ideologically? Take the example of universalism, the belief in certain universal principles that apply to humanity in general in all times and places. Universalism has certainly had a long history in the West, but it had a very special meaning and salience for the French bourgeoisie. To put it briefly, the bourgeois challenge to privilege and the privileged estates, the nobility and the Church, expressed itself in asserting universalism against aristocratic particularism. The bourgeoisie challenged the aristocracy by invoking the universal principles of citizenship, civic equality, and the "nation," a universalistic identity which transcended particular and exclusive identities of kinship, tribe, village, status, estate, or class.

In other words, universality was opposed to privilege in its literal meaning as a special or private law—universality as against differential privilege and prescriptive right. It was a fairly easy step from challenging traditional privilege and prescriptive right to attacking the principles of custom and tradition in general. This kind of challenge easily became a theory of history, where the bourgeoisie and its organic intellectuals were assigned a leading role as the historic agents of a rupture with the past, the embodiments of reason and freedom, the vanguard of progress.

As for the bourgeois attitude toward the absolutist state, it's somewhat more ambiguous. As long as the bourgeoisie had reasonable access to lucrative state careers, the monarchical state suited it just fine; and even later, it was the so-called bourgeois revolution that completed the centralizing project of absolutism. In fact, in some ways the bourgeois challenge to the traditional order was simply extending rather than repudiating absolutist principles.

Take, again, the principle of universality. The monarchical state even in the sixteenth century had challenged the feudal claims of the nobility—often with the support of the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Third Estate and the bourgeoisie in particular—precisely by claiming to represent universality against the particularity of the nobility and other competing jurisdictions. The bourgeoisie also inherited and extended other absolutist principles: the preoccupation with rational planning and standardization, for example, something pioneered by the absolutist state and its leading officials, like Richelieu and Colbert. After all, even the standardization of the French language was part of the state's centralizing project—a project of "rationalization" that had its classic cultural expression in the formal gardens at Versailles.[5]

One interesting footnote here: people like David Harvey (and Marshall Berman[6]), who have given us some of the most important treatments of modernity and postmodernity, like to emphasize the duality of the modernist consciousness. The modernist sensibility, they say, combines universality and immutability with a sensitivity to ephemerality, contingency, fragmentation. They suggest that this dualism goes back to the Enlightenment. The argument seems to be that the preoccupation with universality and absolute truth was actually an attempt to make sense out of the fleeting, ephemeral, and constantly mobile and changing experience of modern life, which they associate with capitalism.

Berman quotes some passages from Rousseau's *New Eloise,* as one of the earliest expressions of the modernist sensibility (he calls Rousseau "the archetypal modern voice in the early phase of modernity"[7]). The most telling passage comes from a letter in which Rousseau's character St. Preux records his reactions on coming to Paris. What Berman sees here is the modernist sense of new possibilities combined with the unease and uncertainty that comes from constant motion, change, and diversity. It is an experience that Berman associates with an early phase of capitalism.

But something rather different occurs to me when I read the words of St. Preux in *New Eloise,* or even when I read Berman's own account of the "maelstrom" of modern life. Not so much the experience of modern capitalism but the age-old fear and fascination aroused by the city. So much of what

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Rousseau's St. Preux and Marshall Berman himself have to say about the experience of "modern life" could, it seems to me, have been said by the Italian countryman arriving in the ancient city of Rome. It may be significant that the thinker for whom Rousseau himself expresses a special affinity is the Roman philosopher Seneca—and the sensibility of the *New Eloise* may indeed have more in common with ancient Stoicism than with capitalist modernism. But in any case, it seems to me no accident that these so-called "modernist" literary tropes—Rousseau's and those of other European writers—come not from a highly urbanized society but from societies with a still overwhelmingly rural population.

My main point is that the ideology of the French bourgeoisie in the eighteenth century had not much to do with capitalism and a lot more to do with struggles over non-capitalist forms of appropriation, conflicts over extra-economic powers of exploitation. I do not want to reduce the Enlightenment to crude class ideology; but the point is that in this particular historical conjuncture, in distinctly non-capitalist conditions, even bourgeois class ideology took the form of a larger vision of general human emancipation, not just emancipation for the bourgeoisie but for humanity in general. In other words, for all its limitations, this was an emancipatory universalism—which is, of course, why it could be taken up by much more democratic and revolutionary forces.

Modernity vs. Capitalism

To see the complexities here, all you need to do is compare France with England. England is not generally seen as the main home of "modernity," in the currently fashionable sense of the word, but it certainly is associated with the rise of capitalism. England in the eighteenth century, at the height of "agrarian capitalism," had a growing urban population, which formed a much larger proportion of the total population than in France. Small proprietors were dispossessed, not just by direct coercion but also by economic pressures. Lon-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

don was the largest city in Europe. There was a far more integrated—and competitive—internal market, the first national market in Europe or the world. There already existed the beginning of a mass consumer market for cheap everyday goods, especially food and textiles, and an increasingly proletarianized work force. England's productive base in agriculture was already operating on basically capitalist principles, with an aristocracy deeply involved in agrarian capitalism and new forms of commerce. And England was in the process of creating an industrial capitalism.

What, then, are the characteristic and distinctive ideological expressions of English capitalism in the same period? Not Cartesian rationalism and rational planning but the "invisible hand" of classical political economy and the philosophy of British empiricism. Not the formal garden of Versailles but the irregular, apparently unplanned and "natural," landscape garden. Certainly there was an interest in science and technology. After all, the French Enlightenment owed much to people like Bacon and Locke. But here in England, the characteristic ideology, that which set it apart from other European cultures, was above all the ideology of "improvement"—not the Enlightenment idea of the improvement of humanity but the improvement of property, the ethic—and indeed the science—of productivity and profit, the commitment to increasing the productivity of labor, the ethic of enclosure and dispossession.

The idea of improvement and productivity in this sense goes back to the seventeenth century and had its earliest theoretical expression in the political economist, William Petty, and in John Locke. This ideology, especially the notion of agricultural improvement and the improvement literature produced in England, is conspicuously absent in France at the same time, where peasants dominate production and landlords retain their *rentier* mentality—as, for that matter, does the bourgeoisie on the whole. The exception here, by the way, proves the rule: in particular, the Physiocrats, those French political economists for whom English agriculture was the model.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Now if you want to look for the roots of a destructive "modernity"—the ideology, say, of technocentrism and ecological degradation— you might start by looking here, not in the Enlightenment but in the project of "improvement," the subordination of all human values to productivity and profit. Dare I say that it's no accident that the mad cow disease scandal has happened in Britain, the birth-place of "improvement," and not elsewhere in Europe?

An Epochal Shift?

So much for modernity. Now let me get back to the larger question of periodization and to the shift from modernity to postmodernity. I've tried to situate modernity in a particular conception of history that I think is deeply flawed, that I think has the effect of obscuring the historical specificity of capitalism, and neutralizing or naturalizing capitalism, if not actually conceptualizing it out of existence.

However, we still have to deal with the changes in capitalism. We all know that capitalism by definition means constant change and development, not to mention cyclical crises. But was there a historic rupture of some special kind—maybe in the 1960s or 1970s?

I have to tell you right away that I am only beginning to clarify my thoughts on this. The one thing I am pretty sure about is that the concepts of modernity and postmodernity, and the periodization of capitalism in these terms, will not help us understand whether there has been some historic rupture, and if there has, what exactly it is, how deep it is, how lasting and decisive, or what consequences it might have for any political project. These concepts and this periodization invite us, I think, to look in all the wrong places.

I've been saying here that the concept of modernity as it is currently used is associated with a view of capitalist development that combines technological determinism with commercial inevitability, so that capitalism is simply an extension of certain transhistorical, almost natural processes: the expansion of trade and technological progress. What kind of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

periodization of capitalism would we expect from this kind of view? What would be the sign-posts of major epochal change? You might expect the milestones to mark some major change in the market and/or some major technological shift. That is, in fact, pretty much what you do get in current theories of the transition from modernity to postmodernity. And while these theories may tell us many interesting things, I'm not sure they tell us very much about any major historical ruptures in capitalism.

Take the so-called transition from Fordism to flexible accumulation. I'll leave aside the question of how widespread these changes in the labor-process and marketing strategies actually are. But I've been asking myself what exactly is new about this shift. I don't mean there's nothing new. But what is so new that it justifies talking about an epochal transition from modernity to postmodernity, and even from the whole of capitalism up to that point to some really new kind of capitalism?

The old Fordism used the assembly line as a substitute for higher-cost skilled craftsmen and to tighten the control of the labor-process by capital, with the obvious objective of extracting more value from labor. Now, the new technologies are used to the same ends: to make products easy and cheap to assemble (how else, by the way, would outsourcing, and so on be possible?), to control the labor-process, to eliminate or combine various skills in both manufacturing and service sectors, to replace higher with lower-wage workers, to "downsize" workers altogether—again, to extract more value from labor. So what is new about this so-called new economy is not that the new technologies represent a unique kind of epochal shift. On the contrary, they simply allow the logic of the old mass production economy to be diversified and extended. Now, the old logic can reach into whole new sectors, and it can affect types of workers more or less untouched before.

To see these developments as a major epochal rupture, you have to focus on the more or less autonomous logic of technology, whether it is the technology of the labor process or the technology of marketing. My emphasis here is on the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

logic of capitalism, not some particular technology or labor-process but the logic of specific social property relations. There certainly have been constant technological changes and changes in marketing strategies. But these changes do not constitute a major epochal shift in capitalism's laws of motion.

Or maybe we could say that Fordism itself did constitute some kind of epochal shift, at least in the sense that it represented the completion of the process that Marx called the real, as distinct from the formal, subsumption of labor by capital. In that sense, the new technologies do not represent an epochal shift so much as an extension of Fordism. What I mean here is not just that the logic of capitalist accumulation still applies in some general sense to the new technologies or to new forms of production and marketing, but that they are following the logic of Fordism in particular.

So What Is New?

On the whole, I'm inclined to dismiss the "condition of postmodernity" as not so much a historical condition corresponding to a period of capitalism but as a psychological condition corresponding to a period in the biography of the Western left intelligentsia. It certainly has something to do with capitalism, but it may just be the theoretical self-consciousness of a generation of intellectuals who came to maturity in the atypical moment of the long post-war boom. For some in this generation, the end of the boom felt like the end of normality, and so the cyclical decline since the 1970s has had a special, cataclysmic meaning for them. Others, especially "postmodern*ists*," still seem to be stuck in the prosperous phase of so-called consumer capitalism.

If there has been some special kind of epochal change in the latter half of the twentieth century, we have to look for it somewhere else. If we are looking for transformations more profound than changes in technology or marketing strategies, then explanations having to do with flexible accumulation or consumerism just aren't good enough. If there has been an epochal shift in the latter half of the twentieth century, we're

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

going to have to look for it somewhere other than in flexible accumulation, consumerism, information technology, the culture of postmodernism, or any of the usual suspects. Eric Hobsbawm, in his recent history of the twentieth century, talks about a monumental change in the mid-twentieth century, in fact what he calls "the greatest, most rapid, and most fundamental [economic, social, and cultural transformation] in recorded history."[8] Its most dramatic symptom, he suggests, has been the death of the peasantry. But what underlies this change, I think, is that this is the period when capitalism itself has become for the first time something approaching a universal system.

I mean that capitalism, even in so-called advanced capitalist societies, has for the first time truly penetrated every aspect of life; the state, the practices and ideologies of ruling and producing classes, and the prevailing culture. In my book, *The Pristine Culture of Capitalism* and elsewhere, I've suggested some of the ways in which even in Western Europe (and contrary to some conventions, more in Continental Europe than in Britain), capitalism has been slow to absorb the state and the dominant culture; but in the past few decades, you could say the process has been all but completed. And, of course, in this same period capitalism was also becoming a truly global phenomenon. But let me hasten to add that I don't mean by this what is generally meant by that tired old formula, "globalization." I'm not talking here just about the growth of multinational corporations or about the weakness of the nation-state—both of which I have my doubts about. I'm talking here about the universalization of capitalism itself, its social relations, its laws of motion, its contradictions—the logic of commodification, accumulation, and profit-maximization penetrating every aspect of our lives.

If we've been seeing something new since the 1970s, it's not a major discontinuity in capitalism but, on the contrary, capitalism itself reaching maturity. It may be that we're seeing the first real effects of capitalism as a comprehensive system. We're seeing the consequences of capitalism as a system not only without effective rivals but also with no real escape routes. Capitalism is living alone with its own internal contradictions. It

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

has little recourse outside its own internal mechanisms to correct or compensate for those contradictions and their destructive effects. Even imperialism, which was supposed to be the last refuge of capitalism, just ain't what it used to be: in the old forms of territorial or colonial imperialism, capitalist powers used to play out their rivalries and contradictions on non-capitalist terrain. Now even this corrective mechanism has for the most part been replaced by purely capitalist mechanisms of economic domination and financial imperialism.

So this isn't just a phase of capitalism. This *is* capitalism. If "modernity" has anything at all to do with it, then modernity is well and truly over, not created but destroyed by capitalism. The Enlightenment is dead. Maybe socialism will revive it, but for now the culture of "improvement" reigns supreme. And if that's what the story is about, we don't really need the idea of postmodernity. The only concept we need to deal with this new reality is capitalism. The antithesis to that, of course, isn't postmodernism but socialism. So if what I'm suggesting is right, then the universality of capitalism is not grounds for abandoning the socialist project, as capitalist triumphalists would like to believe. On the contrary, the "totalization" of capitalism also means its increasing vulnerability to its own internal contradictions and to oppositional politics.

Recently I heard Daniel Singer talking about an interesting coincidence. Not long ago, he said, the French ruling classes began to congratulate themselves on finally turning France into a "normal" country—that is, a modern capitalist society. This was, for instance, one of the main themes at the funeral of Mitterrand, the major architect of French "normality" who had moved France in the direction of the neo-conservative governments elsewhere in Europe and the United States. Yet at this very moment of self-congratulation, the French people took to the streets, in some places in unprecedented numbers. That, I guess, was the effect of directly confronting capitalism without decoration or refinement, in all its stark and unadorned reality. Let us hope it was also a symptom of a real epochal shift.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

NOTES

1. See, for example, Fredric Jameson "Five Theses on Actually Existing Marxism," *Monthly Review* 47, no. 11 (May 1996); and David Harvey, *The Condition of Postmodernity* (Oxford and Cambridge, Mass., 1990).
2. For the theory of "disorganized capitalism," see S. Lash and J. Urry, *The End of Organized Capitalism* (Madison, WI: University of Wisconsin Press, 1987).
3. I have developed some of the arguments in this section in "From Opportunity to Imperative: The History of the Market," *Monthly Review* 46 no. 3 (July/August 1994).
4. Roger Burbach, "For a Zapatista Style Postmodernist Perspective," *Monthly Review* 47 no. 10 (March 1996): 37.
5. I have discussed some of the points in this paragraph at greater length in *The Pristine Culture of Capitalism: A Historical Essay on Old Regimes and Modern States* (London: Verso, 1991).
6. Marshall Berman, *All That is Solid Melts into Air: The Experience of Modernity* (New York: Penguin Books, 1988).
7. Ibid., p. 18.
8. Eric Hobsbawm, *The Age of Extremes: A History of the World, 1914-1991* (New York: Pantheon, 1994), pp. 8, 289.

Subscribe

please!

❑ $28 one-year (U.S.) ❑ $36 one-year (foreign)

Name

Address

City/State/Zip

MONTHLY REVIEW

122 West 27th St. ♦ New York, NY 10001

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

VIRTUAL CAPITALISM: THE POLITICAL ECONOMY OF THE INFORMATION HIGHWAY

by MICHAEL DAWSON AND JOHN BELLAMY FOSTER

One of the great technological myths of our time is that the entire system of organized capitalism dating back to the Industrial Revolution (and even earlier), is being displaced by a new age of "the electronic republic" rooted in the technology of the Information Revolution. In this new age of communication, Newt Gingrich declares,

> more and more people are going to operate outside corporate structures and hierarchies in the nooks and crannies that the Information Revolution creates. While the Industrial Revolution herded people into gigantic social institutions—big corporations, big unions, big government—the Information Revolution is breaking up these giants and leading us back to something that is—strangely enough—much more like Tocqueville's 1830s America.[1]

For the new right this means nothing less than capitalism reborn as a world of small entrepreneurs; one in which technology has erased all social barriers to the ideal world of perfect competition. Thus for new right pundit George Gilder the new information technology is:

> hostile to hierarchies, monopolies, industrial bureaucracies, and other top-down systems of all kinds. Just as intelligence and control are moving from gigantic mainframes to personal computers, from

Michael Dawson, a frequent contributor to *Monthly Review,* is the author of *The Consumer Trap: Big Business Marketing and the Frustration of Personal Life in the United States Since 1945,* Ph D. dissertation, University of Oregon, Eugene, 1995. John Bellamy Foster is a member of the Board of the Monthly Review Foundation, and teaches sociology at the University of Oregon.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

centralized databases to desktop libraries, from the central Bell pyramid to a new array of communications tools, and from a few national broadcast networks to millions of programmers around the globe, so is economic power shifting from mass institutions to individuals.[2]

Much of this is echoed in the corporate community, though the emphasis there is not on a world of small entrepreneurs (which after all is hard to imagine when corporations rule the world), but on what Microsoft Chairman Bill Gates has called, in a chapter-title of his new book *The Road Ahead*, "Friction-Free Capitalism": a new stage of capitalism, in which perfect information becomes the basis for the perfection of the market.[3]

Progressives and even radicals meanwhile are not immune to such fantasies. Not only is "the end of organized capitalism" frequently seen as an inevitable result of the revolution in computer and communication technology in a "post-Fordist," "postmodern" world, but a new era of electronic democracy is often envisioned as an almost automatic product of the new cyberspace technology. Equality, it is often contended, will rein on the Internet, which is too universal and anarchic to be controlled.[4]

What has nurtured these euphoric visions—more than mere computerization or the advent of digital technology—is the phenomenal growth of the Internet and the prospect of a future information highway. The nature of the former, which has grown by leaps and bounds in the last few years with the rise of the World Wide Web, is by now well-known. The latter refers to an enormously expanded system of interactive communications based on the convergence of three communications devices, the personal computer, the telephone, and the television, within a single, digital network, wired to homes, schools, and workplaces. The expectation of business and government planners is that eventually most personal computers will be connected into an interactive network that far transcends the present Internet; and that television sets (though this is further off in the future) will be made interactive through the introduction of set-top boxes (specialized computer interfaces).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The general technological character of the new system is not in doubt, though the paths to and from the information highway may vary. Nor does anyone doubt the potential of the new technology to revolutionize the field of human communication. Yet, none of this tells us what purposes the system will serve or for the benefit of whom. The entire history of communications should warn us against the view that the technology will be determinant; rather much will depend on the political-economic system and the struggles around it.

Indeed, history has shown that every technological revolution in communications—no matter what its potential for democratization has been—has lent itself to the growth of new monopolies of information when inscribed within existing systems of social and economic power. Whether this will happen once again will not be determined by the nature of the technology itself, but by the degree of determination and organization of popular forces. "The proponents of a forthcoming [information] utopia are correct," Robert McChesney has written, "in that these new technologies do have world-historical potential, in a manner not unlike the printing press or the Industrial Revolution. However, to the extent that these technological enthusiasts believe these technologies override the logic and power of capital, there is little evidence to support such a view."[5]

A struggle will take place over the new information system; but it will have to be more than a battle for the control of technology if popular democratic forces are to triumph. Relations of social control extending beyond communication are involved. In order to understand these relations it is necessary to scrutinize the larger political-economic system and its connection to the emerging information highway.

Monopoly Capital and the Universal Market

Right wing populists like Gingrich and Gilder are correct in one respect: the economy of the United States (and increasingly the world as a whole) is dominated by a relatively small number of corporations. But while Gingrich and Gilder

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

admit this only to discard it as an outmoded reality, displaced by the technology of the information economy, a more rational approach (one more in accord, as we shall see, with business's own outlook) would attempt to understand how these dominant economic enterprises are currently struggling to utilize the new technology, which they in large part control, in order to amass still greater wealth and power.

Here a brief examination of the nature and logic of monopoly capital and of modern marketing is required. Today's advanced capitalist economies remain highly polarized class systems. In the United States 94 percent of all financial wealth is owned by the top 20 percent of the population (48 percent by the top 1 percent), leaving only 6 percent for the bottom 80 percent. The main mechanisms for the augmentation of wealth on behalf of the rich are corporations. The top 200 manufacturing corporations in the United States own more than 60 percent of all manufacturing assets, while the top 710, one-fourth of one percent of U.S. manufacturing corporations, account for over 80 percent. In the early 1990s the top 600 corporations in the U.S. economy took in more than 80 percent of all sales revenue.

Such concentration is not merely a national phenomenon. The largest 300 corporations in the world now account for 70 percent of foreign direct investment and 25 percent of world capital assets. In communications, a mere handful of firms now dominate the major media in the United States and are expanding globally. As TCI Chairman John Malone has stated, with only slight exaggeration, "[T]wo or three companies will eventually dominate the delivery of telecommunications services over information superhighways worldwide. The big bubbles get bigger and the little bubbles disappear." In the words of media mogul Rupert Murdoch, "Monopoly is a terrible thing until you have it."[6]

In the increasingly global monopoly capitalist order of today the role of price competition is much reduced in comparison to the nineteenth century era of freely competitive capitalism. In the earlier era—when each individual firm accounted for only a small share of the market—the chief

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

weapons of competition were cutting costs and enhancing quality: by such means a firm could hope to survive and even expand its profits and market share. Competition was generalized and anonymous and not confined to the rivalries of a few firms. Ordinarily, no single firm could influence the market as a whole, which meant that price, output and investment levels were determined by market conditions and not by individual capitalists. With concentration and centralization, however, all of this changed. As the number of competitors in key industries shrank to a mere handful (called "oligopolists" in the language of neoclassical economics) competition became "corespective." Serious price-cutting of the kind that would threaten the existence of firms and thus generate price warfare among the large monopolistic (or oligopolistic) enterprises came to be viewed as self-defeating and was effectively banned. At the same time competition over market share in which the main weapons were product differentiation and a whole panoply of aggressive marketing techniques was magnified. Monopolistic competition of this sort, rather than traditional price competition, became the main terrain for inter-corporate rivalry. As new industries emerge (such as the personal computer and computer software industries) competition is normally stiff at first, involving serious price-cutting—a process that continues until a shakedown results in the formation of a mature, oligopolistic market.[7]

Hence, under the rule of monopoly capital profit margins in mature industries tend to be high while output is limited to levels below its potential, resulting in endemic excess capacity in plant and equipment. Such a regime of accumulation tends to depress the growth of effective demand and to choke off investment. As Paul Sweezy has put it, "the capital accumulation that would be necessary to sustain an expanding economy is aborted." Corporations are able to generate more surplus than they can profitably reinvest in new productive capacity, making stagnation the normal state of the advanced capitalist economy.

One study of the economic surplus generated by the U.S. economy (following the methodology first introduced in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Baran and Sweezy's *Monopoly Capital*) found that gross economic surplus rose from 50 percent of GNP in 1963 to 55 percent in 1988.[8]

The effects of this can be seen in the general state of the economy, which has been characterized by deepening economic stagnation for a quarter-century now with no sign of full recovery on the horizon. The average annual rate of growth for the U.S. economy dropped from 4.4 percent in the 1960s, to 3.2 percent in the 1970s, 2.8 percent in the 1980s, and 1.7 percent from 1990-94—a drop of about 60 percent between the 1960s and the 1990s. Nor is the United States alone. Similar statistics can be provided for all of the advanced capitalist economies over the same period. One response of capital has been to attempt to restructure the global economy, attacking unions and the state in order to reduce wages and welfare expenditures, and promoting deregulation, privatization, and the removal of barriers to capital mobility throughout the globe.

This political-economic response on the part of capital has done nothing however to alleviate the general structural crisis in which it is caught. In the wealthiest economies most markets are saturated, and the artificial stimulation of demand through marketing has become a business necessity—a means of partially compensating for the overall deficiency of effective demand. As one marketing specialist noted more than three and a half decades ago, "The problem of business used to be how to manufacture and produce goods; but the principal problem has become now how to market or sell goods." Increasingly, the center of gravity of the system has shifted from production to sales (and finance).[9]

This shift in emphasis of the economy, associated with the entire phenomenon of overaccumulation and stagnation characteristic of advanced capitalism, has of course been developing for decades. Thus Paul Baran and Paul Sweezy provided a classic account of the role of the "sales effort" in the U.S. economy three decades ago in *Monopoly Capital*. Advertising, they indicated, had been around on a small scale in the nineteenth century era of freely competitive capitalism,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

but had taken on entirely new dimensions both quantitatively and qualitatively with the rise of monopoly capitalism near the turn of the century, reaching its current order of magnitude (as a percentage of national income) somewhere around 1920. Thus by 1962 annual expenditures on advertising had grown to over $12 billion, or around 2 percent of GNP. Large firms, able to exercise a powerful influence on the market could, it had been discovered, create significant product differentiation in the eyes of buyers by such means as advertising, brand names, trademarks, distinctive packaging, style and model changes, etc. By manipulating the motives of the buyers through such techniques firms were able to raise profit margins and enhance their growth rates, driving out their smaller competitors. While genuine price competition became rare, competition organized around saleable appearances became pervasive. The sales effort thus emerged as a major means of both surplus absorption and product cycle management in the demand constrained world of monopoly capitalism.[10]

These changes, as Harry Braverman later noted in *Labor and Monopoly Capital* (1974), were reflected in the organization of firms themselves. Although production continued to constitute the largest section of most manufacturing corporations, and though finance was "the brain center of the entire organism," "the predominance of marketing in all areas of the corporation's functioning" was not to be denied. Within the firm:

> marketing considerations [have] become so dominant that the structure of the engineering division is itself permeated by and often subordinated to it. Styling, design, and packaging, although effectuated by the producing part of the organization, represent the imposition of marketing demands upon the engineering division. The planning of product obsolescence, both through styling and the impermanence of construction, is a marketing demand exercised through the engineering division, as is the concept of the product cycle: the attempt to gear consumer needs to the needs of production instead of the other way around.[11]

Three decades after *Monopoly Capital* was published (and more than two decades after the appearance of *Labor and*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Monopoly Capital) this analysis seems more pertinent than ever. Marketing has become an omnipresent force within the monopoly capitalist economy. In 1992 U.S. business spent an estimated $1 trillion dollars (one in every six dollars of GDP) on marketing, simply convincing people to consume more and more goods. Advertising itself accounted for only a relatively small part of this, with companies spending about $140 billion dollars on advertising in the U.S. in 1993, compared, for example, to annual sales promotion expenditures which ran at perhaps three times that level.[12]

Marketing, as practiced in the 1990s, is in essence a system of scientific management, akin to the detailed management of labor power within production, that is aimed at the buyer. It is understood by its leading exponents as consisting of four elements: targeting, motivation research, product development, and sales communication. Targeting is an attempt to ascertain, through demographic information, the prospective "targets" (market segments of buyers) for a marketing campaign.

Nowadays the focus is on "hypertargeting" in which the market segment is frequently an individual household or even an individual. As business consultant Regis McKenna explains in his book *Relationship Marketing*,

> The marketer [in the near future] will have available not only existing technologies but also their converging capabilities: personal computers, databases, CD-ROMS, graphic displays, multimedia, color terminals, computer-video technology . . . a custom processor that can be built into anything anywhere to create intelligence on a countertop or a dashboard, scanners that read text, and networks that instantaneously create and distribute vast reaches of information . . . . The marriage of technology and marketing . . . should be the vehicle for bringing the customer into the company.[13]

The interactive nature of the information superhighway offers the possibility of detailed information on each potential buyer. Already Time-Warner has 52 million households in its database, and this is only the beginning.

Targeting is of little value without motivation research, which is the attempt to analyze the potential buyer's motivation for buying, and to manipulate that behavior in order to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

produce what Veblen once called "a quantity-production of customers." In modern marketing "focus strategies, based on segmenting markets," business historian Daniel Pope explains, are used to "hone in on consumers whose life-styles and personalities have been carefully profiled."[14]

Product management, the third component of marketing, is the development and packaging of products to conform to the needs of marketing, leading as Baran and Sweezy observed, to "the interpenetration of the production and sales efforts." Much of product design is concerned with brand positioning and styling geared to marketing rather than the creation of distinct use values. Product obsolescence is often planned as part of a marketing strategy. Above all product management is the manipulation of the product's external appearance to create stimuli for buying. In the inverted world of marketing, the visual symbol associated with a product becomes the product. In the words of a Pepsi executive, "It is the visual that carries nine-tenths of what it is you're saying . . . . We're in effect creating a living day-dream, and the link to this is the bottle of Pepsi-Cola."[15]

Advertising is the best known element of sales communications. But increasingly sales promotion and direct marketing are taking over. Sales promotion is the attempt to provide a catalyst in a chemical reaction, getting buyers to buy now. It involves such techniques as sports and events sponsorships, rebates, scratch and win games, coupons, etc. With the growth of more and more personalized marketing knowledge direct mail has proliferated. The number of catalogs distributed to U.S. households increased by an average annual growth rate of 16 percent between 1980 and 1994. In the future, sales promotions and direct marketing will account for much of the traffic on the information highway.[16]

There is no doubt that the main reason for corporate interest in the information highway lies in the fact that it is seen as opening up vast new markets, which also means expanding the range and effectiveness of targeting, motivation research, product management, and sales communication—that is, a total marketing strategy. "[T]here is great

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

pressure from the manufacturing corporations and their allies in government," as Raymond Williams noted in his discussion of the new information technology, "to initiate a new marketing phase." What is emerging, and has been emerging for some time, is a "universal market": "It is only in its era of monopoly," Braverman wrote, "that the capitalist mode of production takes over the totality of individual, family, and social needs and, in subordinating them to the market, also reshapes them to the needs of capital." The prospective information highway offers the most powerful means yet for achieving that.[17]

The emergence of a universal market is evident in all aspects of life, including the realm of entertainment with which people occupy much of their "free time." According to Braverman, "the atrophy of community and the sharp division from the natural environment leaves a void when it comes to the 'free' hours." As a result,

> the filling of the time away from the job also becomes dependent on the market, which develops to an enormous degree those passive amusements, entertainments, and spectacles that suit the restricted circumstances of the city and are offered as substitutes for life itself. Since they become the means of filling all the hours of 'free' time, they flow profusely from corporate institutions which have transformed every means of entertainment and 'sport' into a production process for the enlargement of capital.[18]

In this way mass entertainment is channeled along lines most conducive to the market and becomes the central conduit for marketing throughout the society. Over time the major communications media and entertainment industries have tended to merge and become indistinguishable—a process that is accelerating in the digital age with the promise of a fully integrated and interactive information highway.

"The moment of any new technology," Raymond Williams reminds us, "is a moment of choice." But such choices are to a certain extent inscribed within given economic and cultural contexts. Unless current systemic tendencies are in some way checked, he observes in The *Politics of Modernism*,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

New information systems will be dominated by financial institutions, mail-order marketers, travel agencies, and general advertisers. These kinds of content, predictable from the lines of force of the economic system, will be seen as the whole or necessary content of advanced electronic entertainment and information. More seriously, they will come to define such entertainment and information, and to form practical and self-fulfilling expectations.[19]

These conclusions find their strongest confirmation in the business literature, where the more sophisticated analyses recognize that digitalization is not simply a question of technology, but that a new form of accumulation is being ushered in.

The Fantasy of "Friction-Free Capitalism"

With the foregoing as background it is possible to look at the ideology of the information age from a more critical perspective. Beguiling futuristic visions of the information highway, as we have seen, abound. The majority of those disseminated to the general public are devoted to the expected democratizing effects of the new technology. Others celebrate what is seen as the growing economic dominance of small, high-tech firms resulting from an information revolution that is supposedly making big corporations and big government increasingly obsolescent.

Yet, less noticed in the public discussion is still another vision of the information highway that is largely confined to the corporate community, and that constitutes the real reason for what Bill Gates has called "the race for the gold."

Most corporate analyses of the information highway begin by acknowledging the current media merger frenzy, which, according to Gates, is an attempt on the part of corporations to determine which firms will control the lion's share of the bits of information that will make their way into homes, classrooms, and work sites throughout the society. Already it is clear that the cables for transmitting bits in and out of these sites will most likely be controlled by the phone and cable companies. Yet, "the ambitions of cable and phone companies," Gates writes, "go well beyond simply providing a pipe for bits." These companies are interested in moving up "the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

economic food chain" from the delivery and distribution of bits at the bottom to computer applications and services and content at the top. Such companies want to own the bits, not simply deliver them. "This is why cable companies, regional telephone companies, and consumer-electronics manufacturers are rushing to work with Hollywood studios, television and cable broadcasters, and other content businesses."[20]

Still, behind this scramble for control of the new communications system, we are led to believe, lies an invisible hand that points in a beneficial direction. The overall corporate vision in this respect is best represented by Gates himself, who prophesies that the information highway will introduce a new age of "friction-free capitalism."

For the first time, he argues, Adam Smith's concept of markets in which "every buyer knew every seller's price, and every seller knew what every buyer was willing to pay—what economists call "perfect knowledge" or "perfect information," a presupposition of "perfect competition"—will become possible, with the arrival of the new technology. "This will carry us," he claims, "into a new world of low-friction, low-overhead capitalism, in which market information will be plentiful and transaction costs low. It will be a shopper's heaven." More than that it will be a universal, "frictionless" market, in which targeting, motivation research, product management, and sales communication will permeate all aspects of virtual reality.

The targeting of potential buyers by advertisers, Gates tells us, will be more effective than ever before. "The information highway will be able to sort consumers according to much finer individual distinctions, and to deliver to each a different stream of advertising."[21]

If the information highway is to affect production, in Gates's view, it will be mainly through added capacity to customize products for individual affluent buyers—as a result of increased interactivity. "Computers will enable goods that today are mass-produced to be both mass-produced and custom made for particular customers." Buyers will be able to be able to purchase "custom made" products (say a pair of jeans) by choosing from a menu of pre-determined alternatives—

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

made available to them on their computer screens. Yet, "customized" production of this kind, while superficially more personal and flexible, will mainly be an arm of mass marketing—little more than an additional inducement to buy.[22]

Not only will marketing suffuse the entire information highway, as this is conceived by today's information entrepreneurs, but information itself will in large part be marketed. "There are those," Gates writes, "who think the Internet has shown that information will be free, or largely so. Although a great deal of information, from NASA photos to bulletin board entries donated by users, will continue to be free, I believe the most attractive information, whether Hollywood movies or encyclopedic databases, will continue to be produced with profit in mind."[23]

Gates is not the only one to laud the commercial possibilities of the new system. For vice-president Al Gore "this is by all odds the most important and lucrative marketplace of the twenty-first century." After an imaginative discussion of the educational and political opportunities offered by the information highway, *Time* magazine observes: "It's even easier to picture the information highway being exploited to make a lot of money."[24]

In the information highway advertising will become less distinct from marketing in general. The historical context in which modern advertising developed, particularly in the electronic media, was that unlike previous information transactions—books, newspapers, pictures, etc.—broadcasting offered no direct points of sale. Broadcasters thus came to rely on commercial sponsors. Insofar as the interactivity of the information highway will increase the potential for the proliferation of direct points of sale, while at the same time reducing the opportunities to broadcast to audiences of tens of millions on one channel at one point in time, much of the distinctiveness of contemporary advertising will be lost.[25]

Advertisers will no longer simply solicit responses, they will respond to active solicitations. Ads will become a "medium of collaboration" between buyers and sellers. As *Wired* author

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Michael Schrage explains, "Advertisements will feel and play like visual conversations, video games, and simulations."[26]

A sample of what is in store can already be seen by viewing commercial Web sites. Levi Strauss has created a Web site aimed at 15 to 24 year-olds worldwide at an estimated cost so far of $200,000 to $500,000. Promising a holistic experience, the Web site contains interviews with graffiti artists, art and culture news for global youth, attempts to create a mini youth culture centered on Levi (the "zine with Fly Zone"), fashion exhibits, behind the scenes looks at brands, product information, links to other commercial sites, etc. The object is quite obviously to capture the unwary browser in a web of commercialized culture, with Levi like a wily spider at the center.[27]

Where is all of this leading? No one knows for sure. But one likely answer is to be found in the phenomenon known as "one to one marketing." The superior ability to track customers based on the individualized data available through "the marketing information revolution" means that mass marketing—and even niche marketing that was based on the segmentation of markets by means of statistical analysis—is now giving way to marketing aimed directly at given households and individuals, sometimes referred to as "narrowcasting." According to the authors of the best-selling marketing tract, *The One to One Future*, the primary objects of the new era of marketing are to (1) increase a given firm's "share of the customer" rather than simply the share of the market; and (2) to "collaborate with your customers" through two way (interactive) communication.

In *The Marketing Information Revolution*, published by Harvard Business School Press, the authors argue that in this new world of "differentiated products in decentralized markets" every customer becomes a market segment. The object then is to make use of the new interactive environment for the effective "control of the customer." This can be achieved through modular product design which gives consumers a menu of options to choose from, while at the same time simplifying the customer's decision-making process. The re-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

wards will go "to those firms that best manage these relationships, in effect controlling the customer through direct contact and the continual exchange of information." In essence, what is being offered is a detailed division of the buyer, to complement the older detailed division of labor, with the object of promoting accumulation under globalized monopoly capitalism.[28]

The underlying assumption in all of this—what can be termed the model of "virtual capitalism" offered by business—is that the main information providers, as well as the main collecting centers for information, on the information superhighway will be the large communications and entertainment firms. Within this context of corporate-dominated capitalism, "the information highway," Gates informs us, "will allow those who produce goods to see, a lot more efficiently than ever before, what buyers want, and will allow potential consumers to buy those goods more efficiently." It is this increased efficiency in selling and buying that more than anything else constitutes the ideal of "friction-free capitalism."[29]

Opposing the System

Even the most superficial analysis of capital's plans for the design of the information highway makes a mockery of George Gilder's contention that "economic power [is] shifting from mass institutions to individuals" as a result of the new technology. Likewise Bill Gates's dream of friction-free capitalism is revealed, in the end, as little more than a vision of a more perfect and universal corporate dominated market environment—one from which countless numbers of people with meager pecuniary resources will be effectively excluded. "We are all created equal in the virtual world," Gates declares, but "virtual equity," he concedes, "is far easier to achieve than real-world equity." Tens of millions of poorer individuals in the United States, not to mention the great majority of the population in the periphery of the world economy, will simply be left behind in the age of the information highway.[30]

The information highway will be grafted onto a global capitalist system already characterized by vast and growing

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

inequality, economic stagnation, market saturation, financial instability, urban crisis, social polarization, graded access to information, ecological degradation, etc. The combination of marketing and the new information technology will enable certain firms to obtain higher profit margins and larger market shares, and will thereby promote greater concentration and centralization of capital. It will create a wider universe of commodity fetishism. It will not, however, solve the major material crises of capitalist society (not even the deficiency of effective demand), and is indeed likely to make many of these contradictions more acute. Capitalism cannot sustain itself without marketing but marketing at present levels increasingly threatens to consume the system. The world of perfect information envisioned by Gates is impossible in a social and economic order in which valued information is increasingly controlled and disseminated by monopoly capital.

Yet it would be wrong simply to dismiss the new information technology. "Nothing either way," Raymond Williams states, "is determined by the technology, but it is an important feature of the new systems that they offer opportunities for new cultural relationships, which the older systems could not."

The new communications technology provides "contemporary tools of the long revolution toward an educated and participatory democracy, and of the recovery of effective communication in complex urban and industrial societies." Indeed, "one of the major benefits of the new technologies," Williams tells us, "could be a significant improvement in the practicability of every kind of voluntary association: the fibers of civil society as distinct from both the market and the state." But these tools can only be put to this purpose as a result of social struggle, since the dominant forces in society propose to utilize the new technology for quite different ends.[31]

The social struggle needs to be conceived and carried out in the largest terms if it is to succeed. The struggle for noncommercial communications must be a core part of the battle waged by each social movement in a broad, radical alliance of social movements. The critique of existing communications must reach beyond a shallow critique of commer-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cialization and extend to monopoly capital and the global system itself. Above all it must be realized that nothing can be won, nothing of any genuine value saved, except by opposing the system itself. For capital, left to itself, as Marx once noted, nothing is sacred, not even the bones of the saints: all is reduced to mere cash nexus.[32]

The worst fear of capital in the new information environment is that citizens will become informed and interactive in ways that go against plans for a commercialized I-way, and that challenge the entire political-economic universe as it is now constituted. They are right to be scared. For the power to change society radically will continue to reside with the currently marginalized majority. The rule of capital is rooted as much in the capacity to gain the consent of the governed—to obtain their collaboration in their own marginalization and exploitation—as it is in the actual material means of control. If virtual capitalism—the dream of Bill Gates—is an inverted world in which all of human culture increasingly serves the market, the mere possibility of resistance holds out the hope that it can be set right-side up again, or better yet transcended altogether.

NOTES

1. Newt Gingrich, *To Renew America* (New York: HarperCollins, 1995), p. 57.
2. George Gilder, *Life After Television* (New York: Norton, 1992).
3. Bill Gates, *The Road Ahead* (New York: Viking, 1995).
4. See Scott Lash and John Urry, *The End of Organized Capitalism* (Madison: University of Wisconsin Press, 1987), and *Economies of Signs and Space* (Thousand Oaks: Sage, 1994); Lawrence Grossman, *The Electronic Republic* (New York: Viking, 1995). The *Whole Earth Review* with its endless hype of cyberspace, is the best example of the new age populist approach to the information highway. Constant references to the democratic possibilities of the new information technology are coupled with a very limited and superficial criticism of the commercialization of the Internet.
5. Robert McChesney, "Public Broadcasting in the Age of Communications Revolution," *Monthly Review* 47, no. 7 (December 1995): pp. 18-19.
6. Edward Wolff, *Top Heavy* (New York: Twentieth Century Fund, 1995), p.7; *Statistical Abstract of the United States*, 1986 (Washington, D.C.: U.S. Government Printing Office, 1986), p. 524; Richard DuBoff, *Accumulation and Power* (Armonk, New York: M.E. Sharpe, 1989), p. 171; Robert Heilbroner, *The Making of Economic Society* (New York: Prentice Hall, 1992), p. 117; John H. Dunning, *Multinational Enterprises and the Global Economy* (Wokingham:

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Addison-Wesley, 1993), p. 15; Richard Barnet and John Cavanagh, *Global Dreams* (New York: Simon and Schuster, 1994), p. 15; Grossman, *The Electronic Republic*, pp. 173-74.

7. Paul M. Sweezy, "Competition and Monopoly," in John Bellamy Foster and Henryk Szlajfer, ed. *The Faltering Economy: The Problem of Accumulation Under Monopoly Capitalism* (New York: Monthly Review Press, 1984), pp. 27- 40.
8. Paul M. Sweezy, "Can Capitalism Be Saved?" *The Nation*, 9 July 1984, p. 704; Michael Dawson and John Bellamy Foster, "The Tendency of the Surplus to Rise, 1963-1988," in John B. Davis, ed., *The Economic Surplus in the Advanced Economies* (Brookfield, Vermont: Edward Elgar, 1992), pp. 42- 70. Stagnation, it should be noted, does not result simply from the monopolistic character of the economy, but also (and perhaps even more importantly) from the related tendency toward the maturation of industry. See Harry Magdoff and Paul M. Sweezy, *The Irreversible Crisis* (New York: Monthly Review Press, 1988).
9. *Economic Report of the President*, 1996, p. 283; Steuart Henderson Britt, *The Spenders* (New York: McGraw Hill, 1960), p. 52. Quoted in Paul A. Baran and Paul M. Sweezy, "Theses on Advertising," in Baran, *The Longer View* (New York: Monthly Review Press, 1969), p. 224.
10. Baran and Sweezy, *Monopoly Capital* (New York: Monthly Review Press, 1966).
11. Harry Braverman, *Labor and Monopoly Capital* (New York: Monthly Review Press, 1974), p. 266.
12. Kevin J. Clancy and Robert S. Shulman, *Across the Board*, October 1993, p. 38; *Marketing Myths that Are Killing Business* (New York: McGraw Hill, 1994), pp. 140, 171-71.
13. Richard McKenna, *Relationship Marketing* (Reading, Massachusetts: Addison-Wesley, 1991), p. 18.
14. Daniel Pope, *The Making of Modern Advertising* (New York: Basic Books, 1983), pp. 288-90.
15. Baran and Sweezy, *Monopoly Capital*, pp. 131-33; Michael Dawson, *The Consumer Trap: Big Business Marketing and the Frustration of Personal Life in the United States Since 1945*, Ph.D. dissertation, University of Oregon, Eugene, 1995, pp. 300-05.
16. Clancy and Shulman, *Marketing Myths*, pp. 171-72, 221.
17. Raymond Williams, *The Politics of Modernism* (New York: Verso, 1989), p. 122; Braverman, *Labor and Monopoly Capital*, p. 271.
18. Ibid., pp. 278-79.
19. Williams, *Politics of Modernism*, pp. 134-35.
20. Gates, *The Road Ahead*, pp. 241-42.
21. Ibid., p. 171.
22. Ibid., pp. 166-67.
23. Ibid., p. 100.
24. *Time*, April 12, 1993, pp. 52-54; *Business Week*, 5 September 1994, p. 61.
25. Williams, *The Politics of Modernism*, p. 126; Nicholas Negroponte, *Being Digital* (New York: Vintage, 1995), p. 170.
26. Michael Schrage, "Is Advertising Finally Dead?" *Wired* (February 1994): 124.
27. Kathryn Dennis, "Unzipped," *Ad Week*, 20 November 1995, pp. IQ\9-12.
28. Don Peppers and Martha Rogers, *The One to One Future* (New York: Doubleday, 1993); Richard Blattberg, Rashi Glazer and John D.C. Little, ed. *The Marketing Information Revolution* (Boston: Harvard Business School Press, 1994), pp. 17-29.
29. Gates, *The Road Ahead*, p. 183.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

30. Ibid., p. 258.
31. Williams, *The Politics of Modernism*, pp. 135-38, *Problems in Materialism and Culture* (New York: Verso, 1980),pp. 170-95, and *Television* (New York: Schocken, 1974), pp. 151-52.
32. Marx, *Capital*, I (New York: Vintage, 1977), p. 229.

(Continued from inside back cover)

Something deeper is at issue here, the whole structure and purpose of human society. If it continues to be dominated by capitalism, it is only a matter of time—be it a few decades or a few centuries, neither of which amounts to much in the long stretch of history—before it expires from lack of essential life supports.

Such an ending is not inevitable; nothing is really inevitable until it happens. The hope is that somewhere in the downward environmental spiral that is starting in our time, humanity will respond, not by throwing in the towel but by a revolutionary restructuring that will restore a reasonable balance between society and its environment—not forever but perhaps for a few more millennia. It is theoretically possible, and that is about all that can be said at this stage in human development.

Due to the increases in the cost of paper and postage, *Monthly Review* is regretfully raising the price of subscriptions. The new rates for a one-year subsciption are as follows: $28 for domestic individual, $36 for foreign individual; $60 for domestic associates, $70 for foreign associates.

In other news, we would like to congratulate *The Student Insurgent* of the University of Oregon, which was a winner in the First Annual Campus Alternative Journalism Awards. The *Insurgent* is edited by a collective that includes *Monthly Review* contributor Christopher Brady. The CAJP awards are sponsored by the Campus Alternative Journalism Project/Center for Campus Organizing and are intended to recognize student journalists who promote an awareness of political, economic, race, gender, and environmental issues. Other noted publications include the *Graduate Student Advocate* (City University of New York), *Fish Rap Live!* (University of California Santa Cruz), *La Lucha* (Cornell University), and *subTex* (University of Texas Austin).

Jim Cullen, author of the recent Monthly Review Press title *The Art of Democracy*, will be speaking at 3:00 pm on Sunday September 8 at Posman's Bookstore, which is located at 1 University Place on the northeast corner of Washington Square Park in New York City.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

PRIVATIZATION OF TELECOMMUNICATIONS

by NICHOLAS BARAN

Much has been made of the great promises of the information age and the information highway as a powerful new form of communication that will change our lives for the better. Self-proclaimed visionaries such as Bill Gates and Nicholas Negroponte envision a new golden age in which humanity is globally connected, with information at everyone's fingertips, with intelligent electronic agents liberating us from the mundane tasks of our daily lives—automatically paying our bills and retrieving electronic newspapers, making our coffee, and so forth.

Unfortunately, this panacea has little to do with the reality of the telecommunications industry today and in the foreseeable future. While much of the technology may exist to fulfill the wildest dreams of Bill Gates, the realities of profit margins and oligopolistic markets will prevent many of them from being fulfilled. Instead, we are likely to see many promising technologies shelved because they are not profitable, other technologies developed primarily for luxury consumption, and advertising and entertainment dominating the "content" of the information highway.

Nicholas Baran is a consulting editor for *BYTE* magazine and author of *Inside the Information Highway Revolution* (Coriolis Group Books, 1995).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A Technological Transformation

It is nevertheless true that the telecommunications industry is at the threshold of a major technological transformation which will have an enormous impact on our society. The basis of this transformation is the convergence of the digital computer and the analog telephone into a single communications device. It might be helpful to provide a brief summary of what this transformation means.

At present, most telecommunications, such as telephone conversations and radio and television broadcasts, are transmitted by means of an analog signal or wave form. The analog signal is the natural wave form of most natural phenomena such as sound and light (for example, the sine wave, which gradually moves back and forth between a maximum and minimum value, is an analog wave form). It is, however, much more efficient to transmit these analog phenomena in digital format, which is represented by a simple on/off signal (the signal has two states: on and off).

As computers have become more powerful and software more sophisticated, it is now possible to convert virtually all forms of information, from photographs to feature length movies, into digital format. The beauty of this is that once voice and graphic images are represented in digital format, they can be manipulated on a computer or transmitted on a computer network just like any other digital data. It is the computer's ability to manipulate sound and light that is the basis of the "digital age."

In a rational society, the prospect of the digital age could be very exciting. The recent advancements in digital communications could be used for education, for sharing information all over the world, for enabling political participation in remote areas, and for many other socially worthwhile endeavors. The burgeoning Internet is an example of a potentially positive development emerging from the so-called telecommunications revolution. If developed with international government sponsorship and cooperation, the Internet could

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

indeed become an international communications network, available to people of all nations, rich and poor alike. But this scenario is not likely to happen. The Internet is more likely to become a communications network for the affluent segments of society, supported by advertising and access fees that are unaffordable for a large segment of the population.

The reasons for this gloomy assessment are straightforward. The Internet is being turned over to private enterprises and major capital investments will be needed to support its growth and the demand for improved performance. To finance these investments, the providers of Internet access will turn to advertisers, since most consumers have so far shown an unwillingness to pay higher access fees. And aside from the Internet, the telecommunications infrastructure in general is in need of major upgrading that will require huge capital investments to support the high speed digital services being touted by the telecom companies.

The Internet is Going Commercial

Let's begin by looking at the Internet, which has evolved from a government sponsored research network into the de facto information highway. The fact that the Internet exists at all, by the way, is proof that government sponsored institutions can sometimes be enormously effective. But for all of the valuable resources provided by the Internet, such as electronic mail and database access, the Internet is heading toward full scale commercialism. It is likely that within a few years, users will have to wade through screens of commercials before they can access resources. And only users paying expensive fees will have high-speed access to the Internet.

It is worth briefly reviewing the Internet's history in order to understand why the Internet is now in an early stage of commercialization and heading toward more advanced stages. Although the Internet has its origins in Defense Department research done in the late 1960s, it grew primarily out of a network designed to link up the National Science Foundation's five supercomputer sites at the University of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

California at San Diego, Cornell University, University of Illinois at Champaign-Urbana, Carnegie Mellon University in Pittsburgh, and at the National Center for Atmospheric Research in Boulder, Colorado. Called NSFnet, the network began operation in 1987 and provided high-speed connections between the supercomputer sites so that researchers and scientists could access these sites remotely from government agencies and academic institutions. Regional networks were connected to the NSF "backbone" (a backbone is a continental network carrier providing connectivity to regional networks), as well as to a similar network developed by the National Space Administration (NASA) called the National Science Internet. Thus the Internet grew into a national and ultimately international system of linked networks, allowing global access to electronic mail and databases, as well as to other Internet resources such as news groups and more recently, the World Wide Web.

Until a few years ago, the Internet was largely funded by the National Science Foundation, NASA, other government agencies, and academic institutions that pay for access to the Internet. The actual services to operate the Internet were supplied under contract to the NSF by a company called Advanced Network & Services (ANS), which was a services company set up by MCI, IBM, and Merit Networks. This contract was terminated in the Spring of 1995 as part of a transition from federal funding to full private commercial operation of the Internet. With the end of the contract with NSFnet, the equity partners (MCI, IBM, and Merit) sold ANS to America OnLine (essentially a sale of high speed phone lines and related equipment, or so-called "backbone infrastructure").

The Internet today is almost entirely funded by private enterprises such as MCI, AT&T, Bolt, Baranek, and Newman (BBN), and other "network service providers." These enterprises operate regional "network access points," which in turn sell Internet access to local service providers, private companies, universities, and now to government agencies. The government is essentially just another commercial customer. For

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

example, the National Library of Medicine (Bethesda, MD) used to obtain Internet access through the NSFnet backbone, but now purchases connectivity from SURAnet, a regional network owned by BBN. Likewise, universities buy their network access from various service providers. For example, Stanford University purchases network access from BARRnet, another regional network owned by BBN. Meanwhile, the government has started a new experimental research network under the auspices of the NSF called the Very High Speed Backbone Network Service (vBNS), which will continue to connect the supercomputer sites and provide the testbed for new "very high speed" network operations.[1]

Large institutions and corporations generally purchase their Internet access directly from the large regional service providers, paying substantial monthly fees that include twenty-four hour support, guaranteed service, and other amenities. Smaller businesses and individuals, however, buy their access from local Internet service providers. Many of these providers are "mom and pop" operations that lease a few phone lines and sell access time to their customers. Because demand is increasing at a rapid rate, and the competition is fierce, it is likely that many of these "mom and pop" service providers will go out of business within the next few years. Both the regional Bells and long distance companies have already started offering heavily discounted Internet access to attract customers away from local service providers.

The Capacity Problem

As anyone knows who uses the Internet on a regular basis, its capacity is lagging behind the increased demand. Many resources are frequently unavailable. Transmission of graphic images crawls along at a snail's pace, and e-mail is becoming increasingly unreliable. The solution is to expand capacity by adding more high speed telephone lines and network equipment, which will require huge investments by the telecom companies. It is this requirement for sizable investments in new capacity that will ultimately force out the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

small-time service providers and increase the cost of Internet services. The issue of capacity or "bandwidth," as it is called in telecommunications jargon, is central to the economics of the Internet and other telecommunications systems, so it is worth considering in more detail.[2]

The capacity to deliver electronic information is conceptually similar to the capacity of a pipe to deliver water—the larger the pipe, the greater the flow. Telephone lines can deliver information (whether voice or data) at a maximum rate that depends on the type of cable that is used and the type of information that is being transmitted. Transmission of the human voice requires relatively low capacity or low bandwidth cable, and the twisted-pair copper cable found in every home or office is adequate to the task. Twisted-pair copper cable is also adequate for fax transmissions and transmission of primarily text-based data files via modem. But twisted pair cable starts to bog down when transmitting graphic images or "multimedia" information that consists of sound and video. This bandwidth limitation is a major obstacle to the growth of the Internet and of technologies such as "video on demand," in which consumers will be able to rent movies across the phone line.[3]

Some technologies have been implemented to increase the bandwidth of twisted pair copper cable, the most popular of which is called Integrated Services Digital Network or ISDN, which offers speeds more than twice as fast as the highest-speed conventional modems available today. ISDN greatly improves the performance of the Internet, but is still inadequate for full-motion video and other multimedia services. Also, ISDN is very expensive and complicated to install.[4]

Fiber Optic and Coaxial Cable are the Solution

The two types of cable that offer the highest bandwidth are fiber optic cable and the coaxial cable used for cable television. Virtually all long distance lines in the United States and intercontinental lines to Europe and Asia now consist of fiber optic cable. But these lines are the major trunk lines that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

handle millions of telephone calls simultaneously and also comprise the main backbone lines of the Internet. Only a small percentage of local phone loops, which feed into offices and homes, employ fiber optic cable. These local lines are for the most part still twisted pair copper cable. It has been estimated that to wire most of the United States with fiber optic cable at the local level would cost from $200 to $400 billion and would take from twenty to thirty years to complete.[5]

Coaxial cable for cable television, on the other hand, is already installed in over 60 percent of U.S. homes, and "passes by" close to 90 percent of U.S. homes. This cable is owned by cable television companies such as Tele-Communications, Inc (TCI) and Viacom. Coaxial cable can easily supply the bandwidth for high speed Internet access as well as for multimedia and other digital information.

But there is a hitch—coaxial cable as installed today is designed for one-way communication. The current cable system uses uni-directional analog amplifiers to boost the signal transmitted from the cable company's distribution point (called the headend) out to the homes of its customers. These amplifiers will have to be replaced to accommodate the two-way communication necessary for Internet usage or other "bi-directional" communications, and this is an expensive prospect. In addition, although cable television is almost ubiquitous in residential areas, it has very little penetration in the office and business sector. The cable companies will therefore have to make major investments in new cable installations in office buildings to attract business customers.

The fact that a large coaxial cable infrastructure already exists in the United States gives the cable companies a technical edge over the telephone companies in establishing high bandwidth network services. However, the cable companies do not have the cash to make the required infrastructure improvements. This lack of cash prompted a great deal of merger activity a couple of years ago between the telephone and cable companies, the most prominent being the proposed TCI-Bell Atlantic merger, which was initially valued at

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

$16 billion, followed by the SBC (formerly Southwestern Bell)/Cox Cable merger valued at close to $5 billion.

These and other "cable/telco" mergers fell through shortly after they were announced. The ostensible reason for the collapse of these mergers was the lowering of cable TV rates by the FCC. The real reason, however, was that the telephone companies got cold feet. They were not sure that consumers would be willing to foot the bill for the enormous investments required to build the so-called information highway.These fears have been substantiated by both customer surveys and actual trials of "broadband services" such as video-on-demand (Time-Warner in Orlando, Florida, for example). Consumers are unwilling to spend more than about $25 per month for information services (roughly what most consumers spend now for basic cable TV).[6]

Consumer resistance to higher fees, coupled with deregulation, make the prospect of major capital investment not only daunting, but extremely complicated. Currently, the regional Bells enjoy monopolies in their service areas. But what happens when several telecom companies all want to provide fiber optic service in the same neighborhood? Who is then responsible for maintaining the infrastructure? Or will we see competing companies digging ditches across the street from each other to lay their own fiber optic cable? A more likely scenario is that the telecom companies will try to maintain monopolies in their service areas by buying out their competitors. The proposed SBC-Pacific Telesis and Bell Atlantic/Nynex mergers are good examples.

Wireless is Not the Answer

Wireless communication is not a viable solution to the capacity problem. For one thing, there is a finite amount of radio spectrum available. While there are virtually no physical limits to the expansion of our wired communications systems (we can just keep adding cable), we cannot add to the radio and microwave spectrum. And radio frequencies have become a precious commodity. The FCC recently made available

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

some frequency bands for so-called Personal Communications Services (PCS), which are intended to augment cellular telephone service with new features such as news and stock ticker reports being transmitted to handheld devices. The FCC has been auctioning off licenses to use these frequency bands to companies that intend to offer PCS services, and has been receiving bids totalling close to $10 billion.[7] With such exorbitant entry rates, we can be sure that these PCS services will only be for the well-heeled consumer or business executive.

Cellular telephony is fine for voice communications but offers limited capacity for digital data transmission, which requires much more precision than the transmission of the human voice. Cellular telephony operates on the principle of cellular base stations "handing off" the signal from one station to the next (each base station serves a hexagonal area of approximately eight miles in diameter, which is called a cell—hence, the name "cellular"). If you have ever had a conversation with someone on a cellular phone, especially long-distance, you can hear the pauses and "blank spots" as the signal is "handed off" from one cellular base station to another. These blank spots are a minor annoyance in a telephone conversation. They cause big problems, however, when data is being transmitted. Some digital techniques are now used with cellular telephony to allow transmission of data, but the bandwidth is low and the cost is high.[8]

The bottom line is that it makes much more sense to add fiber optic cable than to employ wireless communications to increase capacity. Wireless communications are well suited for mobile applications and for radio and television broadcasts (including satellite), and will most likely continue to be used primarily for those purposes.

Market Forces will Ruin a Good Thing

As I mentioned earlier, the Internet was developed for research purposes, with funding from the federal government. The Internet was a brilliant technical achievement that never would have happened in the free enterprise market-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

place. Until its recent privatization, the Internet existed for close to ten years without generating any appreciable profit for anyone (it certainly was not a big money-maker for ANS, the private consortium that provided the network services). It has been an enormously useful resource for researchers and students, and for government agencies. It has provided links between scientists and researchers all over the world. It has allowed users to locate documents at far-flung libraries worldwide, and to access databases of scientific and medical research. It has also shown enormous potential as a vehicle for people to share information worldwide, as a powerful method to circumvent censorship and suppression of free speech. A good example was the use of the Internet by the people involved in the Chiapas revolt in Mexico to file reports that were suppressed by the Mexican media.

The Internet has been a model of what can be achieved through the combination of public funding and innovative technology. Today, it is being transformed into an electronic shopping mall and sales catalog. And it is only a matter of time before many of the Internet's most useful attributes disappear in the wake of commercialization.

Similar considerations apply to the telecommunications infrastructure. With the current move to deregulation in this country, and the privatization of telecom companies around the world, it is clear that market forces will determine when and where the telecommunications infrastructure is modernized. This move to privatization in telecommunications is akin to turning over the transportation infrastructure (e.g. roads, highways, bridges) to private enterprise and then charging exorbitant tolls to travellers. (In fact, this very thing is beginning to happen with the privately financed construction of several new highways in the United States, which will only be accessible to paying customers.

With telecommunications becoming a "product" controlled by private enterprise on a global scale, there is little doubt that a huge segment of the world's population will be denied the benefits of high speed telecommunications. The technology will go where there is money to be made. Bill Gates

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and his fellow "visionaries" are not altruistic humanitarians. They are capitalists with a vision of ever greater profits, and unfortunately this appears to be the vision that will guide the information highway.

NOTES

1. For more background on the Internet, see N. Baran, "The Greatest Show on Earth," *BYTE* (July 1995).
2. The term "bandwidth" comes from the term "frequency band," which has its roots in radio. In the context of analog radio, the wider the band, the more stations can transmit at the same time. In computer terminology, the wider the band, the more data can be transferred in a given period of time. For a more detailed discussion, see N. Baran, *Inside the Information Highway Revolution* (Coriolis Group Books, 1995).
3. The telecommunications companies have heavily promoted the concept of "broadband services," which basically means the transmission across the phone line of movies and other entertainment requiring high bandwidth (hence the term "broadband").
4. For more on ISDN and other technologies for twisted pair, see Reinhardt, A., "Building the Data Highway," *BYTE* (March 1994).
5. *PR Newswire,* 3 May 1994 (Results of a study commissioned by Hughes Electronic Corp., a satellite manufacturer).
6. *Wall Street Journal,* 29 November 1994 (Results of a survey commissioned by Hewlett-Packard).
7. *Wall Street Journal,* 1 April 1996.
8. For more on wireless communications, see N. Baran, *Inside the Information Highway Revolution.*

The ideas of the ruling class are in every epoch the ruling ideas: i.e., the class which is the ruling *material* force of society, is at the same time its ruling *intellectual* force. The class which has the means of material production at its disposal, has control at the same time of the means of mental production, so that thereby, generally speaking, the ideas of those who lack the means of mental production are subject to it.—Marx and Engels, *The German Ideology*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

WORLD WIDE WEDGE: DIVISION AND CONTRADICTION IN THE GLOBAL INFORMATION INFRASTRUCTURE

by PETER GOLDING

"Start Today To realize the Future—the Internet is here and is happening now, Capitalise on the future today"—ad in *U.K. Financial Press,* March 1996

"The internet suffers from the problems often found in resources that are in common ownership: potential misuse, security problems and a lack of structure"—International Telecommunication Union press release, October, 1995

"The days when the Net seemed to exist outside the laws of capitalism are just about over"—*HotWired,* 12 March 1996

Progressive social critics are pessimists by nature; time and again they have watched the promise of shared abundance dissipated by corporate greed and political failure. But hope survives, nourished by a mix of naiveté, determination, and honest endeavor. In Gramsci's succinct quip, pessimism of the intellect, optimism of the will. Nothing feeds that eternal hope of progress more than technical change. The emergence in recent decades of communications forces of previously unimagined speed and flexibility has been the recurrent basis for visionary rewriting of future history.

Peter Golding is Professor of Sociology and Head of the Department of Social Sciences at the University of Loughborough, U.K. He is also an executive committee member of the Child Poverty Action Group.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

In recent years guerrilla television, community video, cable—the television of abundance—and citizens' band radios have all offered transient promise of providing electronic sustenance and substance for dissent and diversity. Yet each has disappeared as a serious tool of social change. The incorporation of technical novelty into the apparatus of oppression and inequality should come as no surprise for historians familiar with the story of the printing press, the newspaper, or broadcasting. Yet as capitalism arrives at something of a transitional boundary in the late twentieth century, the sense that the formidable and unprecedented potency of the new computer based technologies may mean something quite different has once again rekindled the embers of radical optimism.

The latest repository for such optimism has been the internet, the exponentially growing network of computer networks which has evolved its own culture, endless media hype, a growing literature, and even an embryonic genre of film and novelization. At last dreams of electronically delivered Jeffersonian ideals seem within our grasp, as politicians like Tony Blair in the United Kingdom and Al Gore in the United States scramble to become the visionaries of digital politics. No one will miss out on this transformation. We have no less than Newt Gingrich's assurance that this new era will see a revolution in goods and services that will empower and enhance most people (note most; even visionaries hedge their bets). It is enough to make one drool since, as Gingrich goes on, the United States can profit enormously by being the leader in the development of the new goods, services, systems, and standards associated with a technological revolution of this scale.

Elsewhere in this issue, Robert McChesney examines the politics of these developments in acute and critical detail. In this article I want to assess more broadly the implications of the growth of the internet, and set it alongside some observations about global communications inequality.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Nerds and Net Profits

There is an appealing romance about the history of the Internet, and indeed of the computer industry more generally, which would mould it into a microcosm of the American dream. Energetic and inventive young men, in backyards and garden sheds, are the driving force which kick-starts the industry taking the United States into the information age. With nothing but a pocketful of risk venture dollars, their dreams, a few borrowed gizmos, and their technological wizardry, these techno-entrepreneurs become the new Carnegies, Hearsts, Edisons, DuPonts, and Rockefellers of the digital age. In ecstatic endorsement of this vision, *The Economist* (1 July 1995) sees the growth of the Internet as not a fluke or fad, but the consequence of unleashing the power of individual creativity. If it were an economy it would be the triumph of the free market over central planning. In music, jazz over Bach. Democracy over dictatorship. Like most mythologies this dramatization has its kernel of truth. The frontier ideals of early development have bequeathed a slightly whiskery hippie taint to much Internet culture, as the networks ornament themselves with West coast new age rhetoric, technoshamanism, and role playing fantasy worlds. It is a delusion. The suits were there at the beginning, and it is no surprise that devotees like Rheingold sound a wistfully fearful note. As he argues, more in hope than expectation, ". . . it is still possible for people round the world to make sure this new sphere of vital human discourse remains open to the citizens of the planet before the political and economic big boys seize it, censor it, meter it, and sell it back to us."

The roots of the Internet do not lay in the nerds' back yards, however. It started life in the Pentagon's Advanced Research Projects Agency. The need for a way of linking military computer researchers led to a technique that split up data transmitted into packets, which allowed for both security (parts of a message cannot be eavesdropped) and safety (even a nuclear attack can only hit one part of a network, so that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

others remain intact and take over). These early experiments in the mid 1960s paralleled work at the National Physical Laboratory in the United Kingdom. ARPANET grew from four nodes in 1969 to roughly one hundred by 1975 when it was turned over to the Defense Communications Agency. In the 1980s, academic networks developed under the auspices of the National Science Foundation (CSNET), and the resulting NSFNET subsequently replaced ARPANET in 1990. The privatization of the regional NSF networks marked the emergence of a commercial basis for the interconnected networks now in place, and has been the basis for all subsequent expansion.

As the Internet grows almost exponentially a fully commercial set of backbone systems has been constructed in place of the previously government-developed one. Internet service providers have become large public companies or have merged. In 1995 all remaining curbs on commercial use disappeared. Eric Schmidt, chief technology officer for Sun Microsystems put it simply: "customer service is the 'killer application' of the Internet." For Russ Jones, Digital's Internet program manager, the Internet "is a richer environment for exploring commercial capabilities." Or to quote the *Economist*, "the Internet had grown up."

Internet size, whatever that might mean, roughly doubles every year. Put the hyperbole and the arithmetic together and everyone on the planet will be connected by the year 2003. The World Wide Web was developed at the European Center for Particle Research in 1989, but only took off in 1993 when software developed at the University of Illinois, and subsequently elsewhere, created 'browsers' and graphical interfaces making the search for and interrogation of 'pages' on the WWW possible. With this arrival of multi-media possibilities for the Internet, commercial developers of such browsers, such as Netscape, became rich overnight. By 1995 there were over thirty thousand Web sites in the Internet, and the number has doubled roughly every two or three months. There are probably in excess of one hundred thousand now. The most significant change in the character of the WWW has been the irresistible rise of commercial sites. One estimate,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

prepared at MIT, shows the proportion of Web sites devoted to commercial use to have risen from 4.6 percent of the total in 1993 to 50 percent by early 1996. Tracking the nature of Internet use generally can be done by watching the 'domains' into which usage fits. By 1994 'com' had replaced 'edu' as the most common domain name, as companies discovered the Web was more than a nerd's hangout. A January 1996 survey by Network Wizards shows 9.4 million host computers connected to the Internet, of which 'com' was easily the single largest domain, larger than academic (edu) and government (gov) sources combined.

The Big Boys Join In

Two features of major corporations in the telecommunications and information sectors stand out in the mid 1990s. One is the rash of mergers and incorporation that has taken place. The other is the diversification of activity. Both are designed to place the mega-corporations in pole position as the Internet's commercialization becomes serious. According to a 1995 survey by Broadview Associates, merger and acquisition transactions in the information technology industry jumped 57 percent in 1995, with a transaction value of $134 million. Information technology companies sought energetically to achieve the critical mass necessary for competition in the international market, and especially sought the synergy that association with the newly deregulated telecommunications companies would allow. A presence on the WWW became more than a yuppie fashion accessory, more a business opportunity and requirement.

In Europe the activity has been mainly in telecommunications, in the United States in the audio-visual sector, and in Japan in electronics. Germany is Europe's largest telecommunications market, and has seen mergers with U.S. companies (Thyssen-BellSouth) and with British (Viag Interkom-BT, Veba-Cable and Wireless). In audio-visual sectors recent alliances include the association of France's UGC and 20th Century Fox, and a production accord between France Télevision and Time Warner. The wider trend of mega-mergers

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in the audio-visual sectors has included the take-over by Canadian wine and drinks giant Seagram of MCA, which controls Universal Studios; Time Warner's buyout of Turner Broadcasting; Disney's purchase of Capital Cities (including the ABC network), and the take-over by Westinghouse of the CBS network. The growth of vertical integration strategies that this trend represents places the audio-visual sector in a key position as distribution becomes the next priority for Internet commercialization. This is well represented by the 1994 purchase by media giant Viacom, which controls the MTV channels, of the Paramount movie studios.

In many ways this vertical integration may be more significant than the much touted convergence of the telecommunications, computing, and broadcasting industries. The latter is a purely technological take on what must be seen as a primarily fiscal and economic strategy. Inevitably, some other familiar names appear. Rupert Murdoch's News Corporation made its entry onto this stage with the establishment of a joint venture with long distance operator MCI in information services, including MCI's FYI Online, and email services, and NewsCorp's Delphi Internet and on-line games service Kesmai, while Microsoft appeared with the Microsoft Network and tentative entries into the audio-visual sector through a stake in DreamWorks, an alliance with NBC network, and licensing of interactive video games. Somehow the dream of Jeffersonian democracy through optic fibers had been transposed into the increased chance of saving a twenty minute round trip to the video rental store. It is difficult to square the reality with Murdoch's promise that this venture "will bridge different communities of interest, create opportunities to build and grow relationships and enrich the daily experience of individuals from all walks of life."

Essentially, corporations could use the net to market three commodities; their own goods, access to the network, and advertising. Marketing of goods on the Internet has hardly begun, stunted by the persistent difficulties surrounding security of payment. Advertising faces the problem of audience audit, to which a great deal of attention is being

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

given. How many times has your site been accessed, or hit? Despite that uncertainty, charges are beginning to stabilize. Popular sites on the Web, like Playboy's, have been charging up to $100,000 for placing a postage stamp sized link on their pages. In the United Kingdom the Electronic Telegraph charges £25,000 for seven weeks display on their screen of a button link. By November 1995, Playboy could claim over 3 million 'hits' per day. Jonathan Nelson, CEO of U.S. website specialists Organic Online, suggests "We look at Web sites as eyeball aggregators, trying to bring people in and give them an experience. The aim is to bring in the right people in a very detailed demographic niche." For the entertainment corporations, the pitch is more direct. CNN Online selects stories targeted at younger up-market males. Such services offer the possibility of seducing their clientele onto premium services beyond the main free services, in a parallel to the tariff structures of cable television. Columbia Tri-Star launched a Web site in 1995, and uses it to build viewer loyalty with such gimmicks as a poll to ask viewers whether the lead in a sitcom should become pregnant, and puzzles to back up game shows. "Success for us is raising the viewing of our programs," said Columbia TriStar's senior Vice President, Richard Glosser.

Digital Dilemmas: Contradiction and Conflict for the Internet

The corporate take-over and commercialization of the Internet can lead easily to a weary fatalism, accepting that another potentially liberating technology has been engulfed by the still rampant forces of the "free market." But at this stage in its development, the Internet represents very starkly just those choices and contradictions that are at the heart of any political moment. Four key areas illustrate the present state of uncertainty and opportunity.

Community use or market mechanism. The inherent twin properties of use value and exchange value are deeply embedded in the evolution of a communication system such as the Internet. Even the most casual and serendipitous of surfers will not travel far around the Web without coming across

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

examples of the seriously progressive potential of its social evolution. In London in 1990 McDonalds served libel writs on five anarchists who published a pamphlet providing less than flattering details of the food giant's employment practices, and its questionable farming and food production methods. The trial has assumed Dickensian proportions, and two of the defendants, an unemployed single father and an ex-gardener now barmaid, have proved indefatigable self-taught lawyers in a seemingly endless and frustrating saga for the Corporation, which despite a $26 billion turnover and $10,000 a day legal team have been unable to crack the pair in what has become Britain's longest-ever civil trial. Not the least of the support structures for the defendants has been the development of a Web site that makes sure that the millions of incidents brought out in the trial detailing McDonald's alleged failings, and every critical article or cartoon that has appeared in the meantime, receive the widest possible electronic circulation. Other examples are legion.

Evidence from surveys suggests that demand for information on the Web is high, and indeed exceeds the demand for entertainment. A Harris poll in 1994 found 63 percent of consumers wanted health or government information and other public service material. Almost three-quarters wanted customized news, but only 40 percent wanted movies on demand, and even fewer wanted interactive shopping. Why then is corporate strategy the opposite? Quite simply because, as Howard Besser notes, "the industry believes that in the long run this other set of services will prove more lucrative." What will make the Internet grow, supply or demand? Consultants for the European Commission, Ovum, estimate that by 2005 networked multi-media services in north-west Europe will derive 42 percent from their revenues from entertainment and pornography, and only 11 percent from information services. When Viacom bought Paramount many questioned why, at $10 billion, they should pay seventeen times the cash value of the company. But Paramount's TV and movie stock provide an invaluable resource for exploitation by seeking additional distribution channels, new user fees, and extended

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

audiences for advertising. Microsoft's alliance with NBC to create twenty-four hour TV and Internet news is paralleled by a flocking of broadcasters to the Web. By March 1996, about 300,000 home pages on the Web had "television" as one of their key words.

Integration or Exclusion: Early net dreamers saw a wired universe, in which virtual communities would offer mutual support and conviviality in a global digital commune. The net would be a horizontal communications structure, quite unlike the hierarchical vertical structures of old. In the high profile debates about censorship and pornography on the Web, there has been understandable focus on the exclusion of women from this latest "toy for the boys." Appalling examples of cross-national prostitution via the Web, and the arrival of such unlovely and unlikely hucksters as "Pimps-R-Us" on-line, have given sound bases to the critiques of people like Dale Spender (in *Nattering on the Net*) that women are excluded from the net by the sexist nature of chat lines and the intrinsic patriarchality of its growth. But possibly more fundamental has been the emergence of division and exclusion by price.

Inevitably the consolidation of a market structure is replicating patterns of exclusion and differentiation apparent in earlier technologies. To access the Internet requires a reasonably state of the art computer, a phone line, and a modem. In the United Kingdom many poor families do not even have telephone access. The start-up hardware would cost about $2000, way above any capital sum they are ever likely to have. On-line costs include the monthly payment to a company like CompuServe, currently about $27 a month, not a princely sum, but roughly a quarter of the social security allowance for a teenage child. Recent surveys show that home computer ownership is reaching a ceiling, with growth in 1995 virtually nil in the United States. The majority of sales are to existing owners upgrading rather than diffusion into new groups, thus exacerbating the gaps which already exist.

The evidence confirms this trend. Director of the MIT Media Lab and digital visionary Nicholas Negroponte sees it this way: "Some people worry about the social divide between

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the information-rich and the information-poor, the haves and the have-nots, the First and Third Worlds. But the real cultural divide is going to be generational." But he is wrong. A survey by Durlacher shows that the 25-34 year-old middle-class male is the biggest user group on the Internet. But an NOP survey in 1995 in the United Kingdom also shows that one-third of users are 35-54 and a third are female. The biggest differentiator is by income; roughly a third earned over £25,000 per annum. *Financial Times* readers were the most represented on the Web. A large scale survey by Nielsen in the United States and Canada found that WWW users have high incomes (25 percent over $80,000), half are in professional and managerial groups, and two-thirds have college degrees.

The emergence of new communications goods has coincided with an ever-widening profile of income inequality. In the United Kingdom changes in the labor market, Thatcherite tax and welfare policies, and industrial reconstruction and decay have produced a regime of inequalities unparalleled in a century. This is not the basis of community communications. The global village has become the digital bazaar. As communications are driven into the market place the widening inequalities of economic fortune are translated into cultural and political disadvantage. As even columnist David Kline recently observed in that courier of technohype, Hotwired magazine, "the future may become a wonderland of opportunity only for the minority among us who are affluent, mobile, and highly educated. And it may at the same time, become a digital dark age for the majority of citizens—the poor, the non-college educated, and the so-called unnecessary."

Diversity or Conglomeration: Yet another dream for pioneers was the Internet as the playground of the inventor-entrepreneur, a place where a thousand overnight millionaires could bloom, and everyone would be producer and consumer alike. After all, the Web was invented by a software engineer stuck away at a physics lab in Switzerland. The software which gave it its biggest boost emerged from a group of students at University of Illinois, and Marc Andreesen, developer of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Netscape, the most popular 'browser' for the WWW, became an instant multi-millionaire in his early twenties. Not only that but the entry of the corporate giants has been far from smooth. By February 1996 NewsCorp and MCI's Online Ventures was laying off staff and saying goodbye to its Chief Executive. AT&T is another giant who has lost a succession of senior executives in a halting and uneven entry into the new marketplace. Apple's eWorld and Murdoch's Delphi are also distinguished in this company of stumbling Goliaths. But the point is that the giant corporations can afford to make mistakes. Watching for shooting stars on the periphery of the business they can shift risk capital into them at their point of proven take-off, allowing the start-up and R and D costs to be absorbed by the small players. The so-called boutique character of the new market, stressing sub-contracting and flexible small businesses, may challenge the corporate dinosaurs, but the bulk of the new markets is still ending up in their hands.

Electronic Democracy or Cyber-individualism: Not long ago the arrival of cable TV and the imminent coming of computer networking evoked frissons of expectation about a new golden age of 'teledemocracy'. Voters would have direct access to their political masters, the electronic referendum would provide a recurrent mechanism of accountability and democratic politics, and political information for citizenship would be boundless and instantly accessible. The digital Athenian democracy this conjured up also, among skeptical observers, prompted the reminder that in Athens neither women nor slaves had much of a political voice. So too with the new cyberdemocracy. As Clifford Stoll in his splendidly skeptical diatribe "Silicon Snake Oil" points out, until the golden age arrives "only the technoliterati will be enfranchised with network access." The limited, and it would appear, stubbornly abating on-line community, will have privileged access to the political universe unavailable to the techno-poor. Not only that but the character of the politics envisaged in these scenarios changes the nature of democracy in its essence. As Stoll points out, this electronic town hall removes valid reasons for representative government. What's the pur-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

pose of a representative when each of us can vote immediately on every issue?"

There is here the potential for a fundamental individualization of politics. In cyberdemocracy the role of representative and intermediary organizations—trade unions, community groups, political parties, pressure groups—atrophies. As a result, as Dutch analysts Van de Donk and Tops suggest, "representative organizations may disappear . . . A direct plebiscitarian democracy becomes feasible when the 'demos' . . . can come together 'virtually.'" But the presupposition of universal access, itself illusory, is also based on a fiction about the nature of interactivity. Home shopping on the Web has not taken off because people want to touch, see, and interact with what they are buying and those from whom they purchase it. But that will change as systems become more elaborate and secure. Interactivity on the Web, far from a mechanism for democratic debate and influence, will descend, as Besser sardonically notes, "to responding to multiple-choice questions and entering credit card numbers on a key pad." Thus individualization, unequal access, and disenfranchisement may be the outcome of net politics, as much as an electronic Agora.

Not so World Wide After All

The emerging electronic inequalities generated by the World Wide Web and its commercial incorporation reflect the underlying political economy of all previous communications technologies. This creates a double differentiation, both at national and at international levels. As we have seen, access to an abundant resource is only of value to commercial exploitation if that access can be curtailed by the price mechanism. In other words, artificial scarcity has to be introduced and barriers erected to market entry for both consumers and producers.

This scenario becomes writ large on the global scale. The 1980s were indeed the 'lost decade' for much of the poorer two-thirds of the world. At the start of the decade roughly sixty percent of the world's population lived in countries whose per capita income was less than 10 percent of the world average.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

As the 1990s arrived some were emerging from the morass of destitution. But this was a small minority, mainly in the east Asian bloc of 'newly industrializing countries'. While aid was hastily diverted to the struggling economies of eastern Europe (prompted by commercial opportunism and U.S. alarm at the political instability generated by collapsing economies and a power vacuum), the poorer countries of Asia and Africa especially, listened to uncomfortable advice about "structural adjustment" while watching over soaring debt and falling primary commodity prices.

The combination of growing northern protectionism, declining aid, higher real interest rates, and growing debt has further consolidated the endemic crisis of third world economies. By the year 2000 as the rest of us gaze in wonder at millennium celebrations and ponder the luxuries of the digital future, about a billion people will be living in absolute poverty. Some 70 percent of world income is produced and consumed by 15 percent of the world's population.

It is not surprising, in this context, that the terrain occupied by communications goods and facilities is a hilly one, marked by soaring peaks of advantage and dismal valleys of privation. For example, book production continues to be dominated by Europe and the United States. The dominance of the English language multinational publishers, especially in educational publishing, continues to sustain what has been the longest established feature of the international media. Over half the world's newspaper production remains in the industrialized west. Conversely Africa has just 1 percent of the world's newspaper circulation, the same proportion as a decade ago.

The growth of broadcasting as the dominant medium in most regions has been swift and dramatic. Europe and north America own two-thirds of the total of the world's TV and radio sets, though they account for just 14.9 percent (Europe) and 5.2 percent (north America) of the world's population. Notable for its very limited incursion into this picture is Africa, with 12.1 percent of the world's population, but whose share of world radio and television sets is just 3.7 percent and 1.3 percent respectively.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The extent to which the "lost decade" has seen the gap between rich and poor opening wider is starkly illustrated. There are over eight times as many book titles produced per capita in developed countries compared to developing countries. The gap in newspapers per capita is of a similar ratio. The developed world has nearly six times as many radios per capita as the developing world, and nearly nine times as many television sets. The picture these figures superficially represent does not, of course, illustrate the disappointments of the 1980s. If we look at Africa again, with just 37 televisions per 1000 inhabitants in 1990 and just 172 radios, we realize how far behind some regions have been left. These figures were 17 and 104 in 1980. Yet in North America the equivalent figures for 1990 were 798 (television) and 2017 (radio), reflecting an increase in the decade greater than the African total.

In telecommunications generally the gap is enormous. Despite the pressures for deregulation imposed by the IMF, African countries lag further and further behind. Basic telephony is still an essential. In South Africa there are 60 telephones for every 100 white inhabitants, but just 1 per 100 blacks (the figure is only 1.6 per 100 people for the whole continent). The post-Apartheid government has resisted privatization until this is corrected. In 1994 Europe and North America accounted for 69 percent of global telecommunications revenues, Africa for just 1 percent (and for just 2 percent of international telephone traffic). South African Deputy president Thabo Mbeki put the issue in severe relief at the G7 information summit in 1995 when he simply noted that "half of humanity has never made a telephone call. The reality is that there are more telephone lines in Manhattan, New York, than in Sub-Saharan Africa."

The Internet repeats this picture only too clearly. By 1994 not a single Less Developed Country had a computer network directly connected to the Internet. Packet switched data networks existed in only five LDCs. The Internet Society estimated that in 1994 there were 0.002 Internet users per 1000 inhabitants in India, compared to 48.9 in Sweden. Most African nations still have no Internet access, yet the possible

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

uses for such networks, for example in electronic health and education services, are enormous. Africa One, the fibre-optic undersea cable that will create a communications ring around the continent, will not be complete before 1999 at the earliest, and it remains to be seen if it is better news for AT&T Submarine Systems, the company who developed Africa One, than it is for the potential users. No African country was involved in the development stages of the U.S.$2.6 billion project. We have heard about the 'magic multiplier' potential of communication technologies before. After all, whatever happened to the "transistor revolution?"

On Contradiction and Optimism

The jury is still out on what these innovations may mean. Just as the impact of the "transistor revolution" in the 1960s was far from as predicted, so too for more recent gadgetry. The cassette recorder facilitated cheap and easy production, duplication, and dissemination of local music and styles in many regions, yet also became the dominant form for global distribution of the ever more ubiquitous transnational music industry. Video recording gave new political energy and resource to the Kayapo and other Indian groups in the Amazon basin, yet also secured the full integration of the television and film industries in the further domestication of western leisure patterns. The Internet is being heralded by aficionados as the means for horizontal communication and global networking that will revolutionize relationships both locally and globally, yet its commercialization in the mid 1990s looks all too familiar to observers of past technological promise.

The contradiction inherent in these hopes and doubts is built in to international policy making. The tension between the potential for wider access to information, and the desire to own and control it is not new. At the International Telecommunications Union conference in 1994 U.S. vice-president Al Gore argued for development of the new global information infrastructure on the basis of five principles: private investment; competition; flexible regulation; non-dis-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

criminatory access, and universal service. It takes no great insight to spot the incompatibility among those principles. The same contradictions appear in the European Community, whose Ministerial Conference on the Information Society in February 1995 set out G7 countries' visions of this future. Again we see a shopping list of principles underlying these aims that includes ensuring universal access; equality of opportunity; diversity of content and world-wide co-operation, with special attention paid to the needs of less developed countries. Yet at the same time the principles included promoting dynamic competition; encouraging private investment, and an adaptable and open access regulatory framework. Square pegs do not go into round holes, even when made from fibre optics. The essentially contradictory components of these aspirations will be the battle ground on which future policy in this area will be fought.

While the mega-corporations continue their stumbling, but inexorable commodification of the Internet and allied technologies, there will be a clash of ideals. The American Libraries Association can suggest that the "National Information Infrastructure has almost limitless potential for social empowerment, democratic diversification, and creative education." But realistically, they also recognize that it "will be owned, controlled, and dominated by unregulated media giants that are driven by profits, not the hope for cultural understanding, greater democracy, the decrease of poverty, or educational enhancement." Their answer is to call for a Corporation for Public Networking.

What we are witnessing is the "mediatization" of the new technologies, as they follow past scenarios of commercialization, differentiated access, exclusion of the poor, privatization, deregulation, and globalization. None of this is inevitable. We find ourselves staring at the arrival of a tool that could nourish and enhance the public sphere, or could equally provide another vehicle for the incorporation of progressive politics and ideals into the grubby maw of market rapacity. The call to battle may arrive along unfamiliar channels, but its tenets and tones will be all too familiar.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

DEMOCRACY AND THE NEW TECHNOLOGIES

by KEN HIRSCHKOP

Social change without a change in social relations—without the pain, conflict, burden of guilt, and sacrifice the latter would entail—has long been the dream of a particular species of social-democratic and socialist thought.

There have always been those who imagine that social life could be transformed by a more efficient husbanding of existing resources, by a more rational administration of the economy or polity, or by simply letting "progress" run its course. In these scenarios, there is no moment of struggle and no moment of loss, for change comes from outside the sphere of social relationships themselves, from science, sociology, or religion. In the later twentieth century, the "inanimate" world of machinery and technology has assumed the responsibility for curing social ills without upsetting anyone. Proponents of technological transformation have laid claim to the social utopias promised by political radicals, and have promised that they can install them without altering the political status quo. Such postwar visions of the wonders worked by technological white heat have tended to focus on the eradication of poverty, and promises of cheap food (as in the so-called Green Revolution), cheap consumables, a more comfortable lifestyle, and steady high wages. With the advent of new kinds of "information technology," however, the stakes have been raised. Technical

Ken Hirschkop is Research Fellow in English at the University of Manchester.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

innovations in the processing and communication of information have been tagged as the keys to not only economic regeneration, but also the transformation of political life, promising greater prosperity and greater democracy in one fell swoop. From Newt Gingrich to vice president Gore, through the Electronic Frontier Foundation down to the not quite massed ranks of cyber-anarchists and feminists, the new forms of telecommunications and portable computing equipment are regarded as vehicles of new and more democratic social and political relationships. With a PC and a modem as his or her new mouthpiece, the citizen of the twenty-first century will enjoy a democracy simply inconceivable to earlier generations of the disenfranchised and oppressed.

Mass Technologies?

What are these new information technologies? For the purposes of this discussion, there are two important strands to the technological developments of the last two decades. The first is the creation and development of the "personal computer" and its associated software—in effect, a computer with substantial processing power and memory, designed for mass use (whether at home or at work) and available for purchase as a household item. The degree of technical development embodied in the PC (which, in this context, includes the small computers made by Apple MacIntosh) is evident to all. In the form of a moderately expensive commodity (more than a washing machine, less than an automobile), an individual may now have on hand more computing power than would have been available to a large research institution thirty years ago. Parallel to the development of personal computer hardware has been the industrial development of software also designed for mass rather than expert usage. The creation of the "graphical user interface" (the symbol-oriented "language" of the Apple Mac System and Windows) and of "user-friendly" programs has made the use of a computer a less technically daunting experience, for which a short course (itself the subject of an industry, naturally) rather than lengthy training is sufficient introduction.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

As computer language has been rendered more accessible, so the topics of computer "conversation" have broadened, so that now computers can serve a range of entertainment, educational, household, and business functions. The main market for the PC remains the office rather than the home, and many (though not all) models are designed with this in mind. Nevertheless, what was once in effect an item of "heavy information industry" has now been translated into a consumer item, available to the non-specialist. The second strand is the "revolution" in telecommunications, which has made possible the transmission of new kinds of information in quantities and at a speed which were previously unthinkable. The popular symbols for this transformation are the fax machine, cable television, and the Internet. In tandem with the developments in computing, these have rendered ordinary the transmission of huge quantities of data worldwide virtually instantaneously, and made possible interaction between individually owned and controlled computers. And in this case, the translation of quantity into quality is fairly straightforward: new quantities of data mean new kinds of data, not just figures but complicated text, images, and sounds, as well as the possibility of coordinating all of them.

The transformation of transmission technologies has involved the laying of cable and the development of hardware technologies, but has given rise to a software industry of its own. In combination, these technologies make it possible for a non-expert both to use a computer equipped with the power to manipulate text and images and to communicate with other computers worldwide. Naturally, the economic powers-that-be have no desire to stop there: they would like to integrate computing services with the network established by cable television and telephone, so that the household of the future will mediate all its electronic communication with the outside world through a single, extremely profitable service. No less naturally, there is sharp economic conflict over the form this integration will take, for here as elsewhere the need for a unified system of telecommunications conflicts with the anarchy of the market.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

To take a fairly obvious example, Microsoft, the leading producer of PC software, had guaranteed its dominance in that market by getting computer producers to include its Windows program as part of a basic software package. But when these PCs were hooked onto computer networks, other software, bound to new "network services" came into play, and Microsoft had to respond with an aggressive campaign to establish its own network service and its own software. However desirable an integrated system may be, no one is going to sacrifice their market share for it.

The history of this technology is well known and not in dispute: both the software and the hardware associated with the Internet were developed in private and public research institutes depending for the most part on U.S. Department of Defense funding, while the technology of small computers was developed by private hardware producers with their eyes firmly fixed on corporate needs for the manipulation and transmission of information. No one denies that information technology is firmly embedded in the overdevelopment of the financial services business and the change in organization of production known as "Post-Fordism." The new technologies were not designed as a public service, although the Internet was designed as a "state" one. They were and remain the product of either corporate or state-military research and development. Nevertheless, the end result is something that no one quite predicted, with the possible exception of a few science fiction writers.

For the new technologies have in effect "secularized" the use of the computer, making widely available the resources of what had been "high" and expensive technology. Earlier articles in *Monthly Review* have rightly called attention to the emphasis in the PC industry on high-end machines with more power than is appropriate for the "citizen-user," but it is nevertheless the case that PCs have come within the range of purchasable goods, and that, however maddening or irritating it may occasionally be, the new style software has made computer literacy also a mass phenomenon. To use a PC, and to communicate through the international telecommunica-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tions network requires neither extraordinary financial resources nor the equivalent of a university degree. While still a minority interest within even the wealthier industrial nations, access to the Internet and to personal computing resources is a potential reality for the majority in several nations.

But what is this access to? While the much advertised possibilities seem endless, they break down into two basic kinds of communication. On the one hand, PCs, either in tandem with data encrypted on discs or CDs, or via use of the Internet, provide access to informational and educational resources that have been translated into computer data.

These resources can be composed of texts, sounds, or images, and not the least impressive of modern communicative capabilities is the ability to scan for and track down particular sorts of information, whether these are the record of a debate, a train timetable, or a map of a particular location. A networked computer is effectively a terminal with which one can gain access to computer "archives" of the most varied kinds, which can be updated on a daily basis. In terms of access to information, the advertising has a point: the new technologies represent a quantum leap.

The second kind of service is interaction among individual users. Network connections between individual computers, and the gradual formation of ever higher level networks of networks have made possible a new kind of written conversation. In its least dramatic form this is represented by electronic mail, which duplicates on an international scale the kind of rapid exchange of correspondence that for an earlier age was the privilege of urban aristocrats. Somewhat more original are the so-called discussion lists and bulletin boards, which constitute a kind of permanently open forum, to which any person with access to a terminal may contribute. These are likewise both faster and more international in scope than anything that would have been possible in an earlier decade.

But the final and most technologically striking interactivity consists of "real-time" conversations conducted over the screen, where contributions appear instantly and are responded to instantly as well; this represents a new mixture

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of types of communication, "oral" in timescale, written in form, electronic in range.

Given its novelty as a form of communication, it is not surprising that the last form has attracted the most comment. The possibility of conversation, traditionally the most intimate of forms, conducted on an international scale and with effective anonymity (as the speakers are literally invisible to one another) is, depending on your point of view, daring and avant-garde, or a sad substitute for those to whom ordinary conversation is too much of a social burden. Nevertheless, all the forms of interactivity are distinctive in one significant respect: they can serve as the basis for so-called "virtual communities," that is, communities founded on the exchange of messages over a computer network. As far as one can tell, the existing network plays host to uncountable numbers of such communities, which range in tone and topic from the utterly puerile to the politically serious. (The description "virtual" is, of course, hyperbole. For once humankind passed the barrier of orality, that is, with the invention of writing, there were plenty of communities founded on something besides physical proximity. Computer networks do not create anything new in this regard, though they certainly make its organization and maintenance easier.)

On-Line Democracy?

The democratic credentials of the new technologies rest on these capabilities. With a small computer, basic knowledge of the relevant software, and a modem providing access to a telephone line, one can transmit and receive messages, data, images and sounds, to and from any other international terminal. The possibilities this opens up for political organization were illustrated through the now legendary use of information technology by the Zapatista leader Marcos, who effectively sidestepped the traditional media by sending out his communiqués over the Internet.

As organizing tools, the new technologies are doubtless powerful, rendering international communication rapid,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

easy, and cheap, and creating the possibility of international bulletins and appeals that make the old telephone trees look rather quaint. But for organizational purposes the technology is politically neutral, for it provides the same aid to those in authority that it provides to those trying to resist that authority. The true political claims for the new technologies lie in the belief that they make possible an access to information, and an international form of interaction that is not politically neutral, which is inherently democratizing. For if informed discussion of a more or less unhindered kind is critical to democratic life, then a technology that fosters it can only work to the advantage of the forces of democracy.

Reading the exclamations of the technologically enthused, however, one senses that what excites them is not what the Internet can do for the sober and responsible citizen, but the dizzying possibilities it opens up for those of a mischievously anarchistic bent. The technology for the Internet was designed as a military command and control system that could survive a thermonuclear attack. By a method known as "packet-switching," scientists found a way to route information that did not depend upon the existence of a central communications facility. This means that there is no central point from which network communications can be controlled or monitored (not yet at least), as if a certain freedom from central constraint were wired into the system itself. The second source of excitement comes from the apparently perpetual insecurity of all software-dependent systems; no matter how hard the great institutions try, they seem unable to keep the determined hacker from penetrating into their systems. The Electronic Frontier Foundation, founded after a concerted government attack on the hacker community, exists to keep this apparent openness of the Internet away from the predations of corporations and government.

Political economists on the Left have been quick on the naiveté of would-be cyber-anarchists. They have reminded us that the origins of these technologies lie at the heart of the U.S. military-industrial complex, and that research and development has never been aimed at anything other than com-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

mercial and military uses. However heart-warming the generosity of the research network itself (whose tradition of giving away software freely is cited again and again by the techno-enthusiasts) it is a development at the fringe of the new technology, which for the most part is unabashedly devoted to the restructuring of capitalist industry and the maintenance of military control and security. PCs and networks may well be useful for politics; but the form of the network and the structure of computing equipment is determined first and foremost by the needs of the state and capitalist corporations.

Given the sums of money involved, it could hardly be otherwise. The relatively low cost of PCs and modems disguises the enormous costs of computing research and development as well as the laying down and maintenance of a network infrastructure. The money has to come from somewhere, and that somewhere is going to be the federal government and those corporations (IBM and AT&T, for instance) that can look upon it as an investment in future profit rather than the extension of democracy. For corporations, after all, this new mode of communication is also a new mode of exploitation, making possible new kinds of work, new forms of monitoring (as computers can precisely measure the extent and intensity of work done on them), and work from home which can save the employer a great deal in expenditure on overheads.

Even as a consumer item, the new technology has clear limits. For while the sums at stake are not as large as high-tech goods go, they are not small either, and there is every reason to believe that instead of extending access to the community the new technology will install a new form of communicative apartheid. While new resources excite the imagination of the better off, the old informational resources are in the process of being either run down (as in the case of public libraries) or privatized (as with the replacement of traditional broadcast by cable television). When real wages are stagnant or in decline for most of the population, the promise of increased access to information and communication for a fee, however small, is not going to be very appealing.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

There are clear limitations, then, on the availability of the new computing and communicative resources, and so long as the new technologies remain the prerogative of the military and the corporate world, this is likely to get worse rather than better. Furthermore, the design of hardware and software will continue to be oriented not to the needs of democratic politics, but to those of new industrial profit.

Information is Power?

Although the criticisms of the political economists are certainly apposite, in another sense they miss the point. For the clear implication is that if all could have roughly equal access to these new resources, then the consequences would indeed be democratic. More information, and easier access to it would lead to a better informed citizenry; a better informed citizenry could, given the communicative possibilities of the Internet, wield power through more frequent and more thorough forms of consultation (referenda, public hearings, electronic consultation with constituents, and so on).

This equation is the real weak point in the political argument for the new technologies. No one could doubt that access to these technologies means access to information resources, and to the possibility of rapid, even internationalized discussion and consultation. But is the problem with liberal democracies that they lack information, or that voting procedures are too cumbersome? I don't think so. The indefatigable Chomsky once pointed out that seeing through the ideology of the state required neither specialist training, nor access to specialist archives: the information was public and available, and all one needed was skepticism and the desire to root out the facts. The existence of the Internet and the personal computer increases access to information (and theoretically makes "voting" simpler and more immediate), but access to information was not the principal problem in the first place.

Of course, there are plenty of situations where access to information is a problem, particularly where political issues are mixed up with scientific questions (as with, for example, ques-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tions about industrial pollution, the safety of commercially produced drugs, and so on). But the fundamental inequity of political power does not rest on inequality of information: those who rule do not rule because they know more (very often they know less, whatever their pretensions), but rule whether they know what they are doing or not. Capitalist corporations may well feed information to political representatives and bureaucrats, but their ability to influence them does not depend "in the last instance" on the quality of the information, but on their ability to give or withhold support for state projects or for particular political groups. Private business institutions and their quasi-public associates have financial power and management structures; the state has juridical institutions and the ability to wield coercive force when necessary.

They certainly use knowledge and require continuous access to information, but this is not itself the basis of their power. The rise of the new computing industries, based on "personal computing" and the new software, has confused this issue. Bill Gates, ultimate icon of this kind of capital accumulation, appears as the geek who made good, as if his enormous personal wealth and financial success were testimony to his scientific-technical expertise. But however nerdy his origins, Gates is successful because he has ridden the wave of recent capitalist restructuring so well, with the right combination of financial backing, a product well suited to changes in business practice, and the ability to force the market into the shape he needs. Even Gates's key product, Windows software is, by all accounts, neither original nor particularly impressive, being in effect a watered down version of the much better MacIntosh system.

The same strictures apply to dreams of endless electronic referenda. The absence of popular power in liberal-capitalist democracies has nothing to do with the frequency with which people vote; it stems from the very equation of popular power with the act of voting. Given the shape and limits of the liberal-capitalist state, popular power has to be exercised not only via formal votes (whether for representatives or in referenda) but also in the form of organized demonstrations, industrial action, boycotts, and the like.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Those who see a quantitative increase in voting as the solution to democracy's ills imply that the problem with democracy is the fact of "representation" rather than the facts of capitalism. It is the latter, however, which ensure that voting in isolation can at best legitimate strategies and policies decided on by elites.

It was not a momentary loss of judgment (or the need for a savior in a dark age) that led so many on the Left to delude themselves about the democratic possibilities of the new media. Belief in what technology could do depended upon a fundamental misreading of the nature of liberal-capitalist states and of political power in the late twentieth century. Thus much of the Left was already predisposed to an injudicious equation of knowledge and power, even before the advent of PCs and the Internet. The 1960s critique of "technocracy" quite correctly unmasked the political and economic interests of those who claimed merely to administer capitalism in the most efficient manner possible. But it also set in motion a tendency to see the authority of science as the paradigm of political authority as such, as if the state were in effect the RAND Corporation with an army and police force attached. By the 1980s this tendency blossomed into the "postmodern" equation of science and authoritarianism, according to which any claim to describe things as true or false is inevitably a first step towards the Gulag.

States and capitalist corporations certainly fund and depend upon research and analysis. But one of the defining features of a capitalist ruling class is that it can choose whether to accept or repress the results of research, and can ignore or act upon its findings as its members see fit. Knowledge, scientific or cultural, is not the basis of its authority but its instrument, and not its only one at that. In an early editorial, one of the more ambitious techno magazines, *Mondo 2000*, staked its claim to hegemony: "the old information elites are crumbling," it said, confident that it represented something avant-garde and new. There are certainly information elites, and they may well crumble from time to time, but they are not identical with political or economic elites—we do not live in Plato's Republic. The extravagances of the technophiles stem from their belief that once the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

information is available, political power will fall, or perhaps drift into the hands of the many. But the information is for the most part already available, and if power remains centralized, it is because information itself is never enough.

It may appear to be enough to those who depend upon its production for their livelihood. The German essayist Hans Magnus Enzensberger once commented that the distinguishing feature of the middle classes was their interest in innovation, writing, invention, and the creation of knowledge. Lacking the power and wealth of the strictly bourgeois, they devoted themselves to the production of "culture," in the broadest sense of the term. When one reads the current mythic tales of the exploits of computer "hackers," and of the selfless ethos of computing professionals who, of all things, give away their software, one cannot help thinking of this. The professional scientist or technician who believes that access to the fruit of his or her labors is the key to democracy forgets his or her own role in the scheme of things. The hacker only appears as a political actor to those who imagine they are at the center of political power rather than on its fringes. It is not, however, the scientists who run IBM but its Board of Directors, and they only at the behest of institutional shareholders. Knowledge is a great thing and its pursuit a noble act. But lack of it is not the cause of our undemocratic life, and more of it, whether on the screen or in print, will not make for a more democratic polity. The new technologies are not the driving force of our society, which remains, as before, the imperative of profit. Information technology is currently capitalism's favorite son, but it should not forget that its status is the gift of its parent.

The last few years have been very discouraging for socialists and even moderate social democrats. In the wake of so many reverses and so much disappointment, the idea that capitalism would push a technological bridge too far, and so undo itself, is tempting. Who can resist the poetic justice of corporate power selling its gravedigger to the masses, in inexpensive, high-tech form? But the attraction of poetic justice has always been that, unlike the real kind, one can sit

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

back and observe its progress. When the very structure of a society depends upon a lack of democracy, however, democracy will depend upon a fight, and upon social forces with the interests, will, and intelligence to struggle for it. Technology will doubtless have a role in this struggle, but it offers no shortcuts: one cannot buy democracy off a shelf, or download it from a Web site. It demands courage, fortitude, and political organization, and, as far as we can see, Microsoft has yet to design the software that can deliver these.

URPE SUMMER CONFERENCE

The Union for Radical Political Economics invites you to attend its annual summer conference for 1996.

From Saturday, August 24 through Tuesday August 27, academics and activists interested in a left-oriented analysis of economic issues and political topics will meet at one of the nicest summer camps in western Connecticut, **Camp Chinqueka** in Bantam, Connecticut.

This year's conference theme is **The New Class Warfare** and there will be three plenary sessions: The Right on the Rampage, What's Left of Liberalism, and People Under Siege and in Struggle. Speakers include **Jane D'Arista** (EPI), **Elaine Barnard** (Harvard Trade Union Program), **Allen Charney** (DSA Director), **Harry Magdoff** (Monthly Review), **Mike Albert** (Z Magazine), **Jerome Scott** (Project South), and others.

There will be many other daytime workshop sessions, ranging from formal presentations of academic papers, through panel discussions by activists and interested laypersons. Please contact Dawn Saunders,(dsaunders@moose.uvm.edu) Dept. of Economics 475 Main St., University of Vermont, Burlington, VT 05405 if you would like to present material or organize a session.

A special series of sessions, featuring **Sam Bowles** (UMass) among others, will discuss the impact of the work of **David Gordon** (1944-1996), a prominent radical economist and a co-founder of **URPE.**

Social events will follow each evening session, and camp activities (swimming hiking, volleyball) are available during the day for kids and adults. Rates include a bunk in a camp cabin (or tent space), and food in the camp mess hall.

For further details, contact the URPE National Office at
One Summer Street, Somerville MA 02143, (617) 776-5888
Email: urpe@igc.apc.org

URPE SUMMER CONFERENCE

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

WORK, NEW TECHNOLOGY, AND CAPITALISM

by PETER MEIKSINS

The spread of computers and electronic means of communication has clearly transformed contemporary workplaces. Computers now sit on the desks of virtually all office-based workers, linking them to one another through local area networks (LAN's), electronic mail, and complex information systems. Employees whose jobs involve significant amounts of travel are increasingly armed with an electronic arsenal of laptops, handheld computers, pagers, and cellular phones. Programmable machinery, computer-aided design, computer-based inventory systems, and other innovations have reshaped industrial processes. And, arguably, the separation of work and residence that has characterized industrialized societies is being undermined by the emergence of electronically mediated home work.

Reaction to these innovations has been sharply divided between those who believe that they represent a radical transformation of the capitalist order and those who believe that they are just more of the same. Some take an optimistic view of the new technology, stressing its ability to empower workers by providing them with information and arguing that complex technologies require better educated, more autonomous workers.[1] Futurists such as Alvin Toffler predict the replacement of bureaucratic, centralized workplaces by home-based

Peter Meiksins teaches in the Sociology Department at Cleveland State University.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

work in what he terms "the electronic cottage."[2] Some progressives share these visions of a transformed capitalism, arguing that we have entered an age of "flexible specialization" in which new technologies support loose networks of autonomous producers and create a workplace populated by autonomous, skilled workers.[3]

Most progressives, however, take a darker view of the new technology, emphasizing its capitalist character and its tendency to extend and deepen the harsh consequences of capitalist relations of production. They point to the use of computerized technology and networks to extend employer control over workers, even over long distances, and to create automatic systems that can replace the judgement and discretion of expert employees.[4] The re-emergence of home work in the age of the computer represents to these critics, not the advent of decentered, autonomous work but the growth of contingent, insecure employment, the cheapening of production, and the intensification of work.[5] It also reproduces and reinforces traditional patterns of gender subordination under capitalism, as women workers are obliged to take low-wage, insecure jobs that simultaneously perpetuate their status as the sole providers of (unpaid) child care and domestic labor.[6]

As is generally the case in such a polarized debate, it is possible to construct a strong argument that the truth lies somewhere in between. As will become clear below, both of these views of new technology are correct, for each points to a partial reality. However, simply saying that both views are "too extreme" is insufficient. For, as is also often the case in polarized debates, the truth lies somewhere else. In focusing on the question of whether computers and electronic communication enhance or degrade work, we may have missed the point about these new technologies. The real lesson of contemporary technological change, I will argue, is that it reveals the conservative character of capitalism, its tendency to frustrate progressive social change. In Marxist terms, it reveals both the contradiction between the forces and relations of production and the prefiguring within capitalism of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

a new social order that cannot be realized without transcending capitalism.

New Technology and Networks of Firms

Coordinating the activities of disparate producers and finding effective ways of making their products available to consumers is one of the abiding problems of economic organization. This problem obviously becomes more difficult as economies grow in size and complexity. In advanced capitalist societies, it has been dealt with through large, centrally controlled economic units—corporations—whose apparently irreversible growth has marked the economic history of the twentieth century. Whether it was because they sought to eliminate or control competition, secure reliable sources of raw materials, increase market share, reduce their reliance on single product lines, control the pace of technological change, or assure commercial outlets for their products and services, capitalist enterprises have grown relentlessly, creating oligopolies or even monopolies, integrating vertically, and buying up apparently unrelated enterprises. Such corporations substitute the visible hand of the organization for the invisible hand of the market, coordinating producers and consumers through the creation of enormous centers of economic power whose political, environmental, and social consequences have long been the object of radical critique. Among other things, these economic giants have been criticized as the source of intrusive control over people's lives, both at work and outside of it, and as a homogenizing force which tends to eliminate individual liberty, spontaneity, creativity, and freedom of choice.

A parallel set of problems affected the countries of "actually existing socialism." In their efforts to eliminate petit bourgeois enterprise and to accelerate the pace of economic growth, these societies also spawned massive economic and political units. Bureaucratic administrative structures and complex economic planning became the central mechanisms for the coordination of economic activity within and between

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

these giant organizations. One of the most enduring criticisms of the erstwhile Soviet bloc focused on precisely this aspect of its social development; the giant enterprises and state bureaucracies that dominated its social landscape were generally regarded as inimical to freedom and creativity and were frequently counterposed to the alleged diversity and individual freedom characteristic of the West. While the latter is clearly mythical, this in no way alters the fact that the Soviet Union and its allies were grey, bureaucratic, and overly centralized.

Both capitalist and socialist versions of the giant enterprise have always been based on the assumption that centralized control of economic activity is desirable and necessary in order to ensure that otherwise egoistic individuals and/or enterprises coordinate their activities behind goals imposed from above and pursue these goals in a reasonably predictable way. Yet, this assumption has always been partially contradicted by the realities of economic life. Within capitalist enterprises, top managers learned that it was impossible to coordinate complex hierarchies using simply bureaucratic procedures; instead, they were forced to experiment with what one business historian has referred to as "decentralized centralization," allowing managers at various levels of the corporate hierarchy a degree of autonomy.[8] Similarly, the countries of the former Soviet bloc were led to experiment with various kinds of market mechanisms as they searched for an antidote to the problems of the highly centralized planned economy.

One of the potential consequences of the new technologies is to create a technological basis for alternative ways of organizing economic activity, for pushing further some of the embryonic efforts to decentralize economic activity mentioned above. Since these technologies facilitate rapid communication over long distances, it now is possible for widely separated enterprises to coordinate their activities. Moreover, since they also are able to provide individuals and/or enterprises with sophisticated, up-to-date information about markets, the behavior of other actors within the technological

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

network and other relevant matters, those individuals and/or enterprises no longer need to be confined within rigid, prescriptive plans and procedures set well in advance. Instead, with an understanding of what is expected of them, they can react autonomously and creatively to the information provided through the technological link.

There is already some evidence that these possibilities are being explored, but through capitalist means, which largely contradict their potential. For example, the much-publicized reengineering of capitalist enterprises has encouraged the externalization of activities once performed in-house. Companies now rely more and more on networks of consultants, business service providers and suppliers; vertical integration is no longer regarded as, in itself, the best option for the coordination of economic activity. As companies have moved in this direction, however, they have had to learn to coordinate the activities of growing numbers of often physically distant providers over whom they lack direct, bureaucratic control. While this problem involves more than simply technology, it is clear that new technologies have been very important to the solution of these problems, as they allow for the development of complex "just-in-time" processes that require split-second timing. They also facilitate quick, effective communication among cooperating enterprises, and allow for work to take place off site and still be linked to the central activity it supports. Such developments have encouraged speculation about the emergence of network firms, i.e., of the replacement of giant, bureaucratic corporations by loose associations of cooperating enterprises.[9]

Some fragmentary evidence exists of real cooperative relationships based on these developments. For example, Annalee Saxenian argues that, in the Silicon Valley, traditional corporate boundaries have broken down at least in part, allowing for cooperative relationships among companies and their suppliers and for communication and information sharing among companies that actually compete with one another.[10] Similarly, some observers contend that the relationships among companies and their suppliers in Japan

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

involve substantial cooperation, reciprocity and sharing of risk, aided by electronically mediated information exchange.[11] Yet, while one can point to instances of such cooperation, most of the evidence on networks, industrial regions, and inter-firm cooperation suggests a very different reality. Bennett Harrison's recent synthesis, Lean and Mean, argues persuasively that most examples of inter-firm cooperation turn out, upon examination, to be illusory or, at least, to involve relations of domination and subordination among firms. The much-vaunted industrial districts, where cooperative networks of firms are supposedly most developed, turn out to be vulnerable both to the emergence of dominant firms or to intrusion by giant corporations from outside. Relations between suppliers and their customers rarely are marked by the reciprocity supposedly characteristic of the Japanese case; instead, suppliers tend to be the subordinate partner in a relationship dominated by the larger companies they supply. Overall, Harrison finds that the contemporary economy has been marked by decentralization, but that economic power remains highly concentrated.[12] The capitalist character of economic organization militates against true cooperation and reciprocity, encouraging, instead, the continued concentration of economic power in a few hands and the imposition of control from the center.

A similar phenomenon may be observed in the case of franchising. In many ways, franchising suggests a solution to the problem of how to combine a degree of centralized control and planning with a level of individual enterprise autonomy. The central franchising agency could serve as a coordinator, receiving information and commentary from individual franchises, which now can be transmitted and processed extremely rapidly as a result of new technologies. Individual franchises, however, could remain substantially autonomous, engaging in an electronically mediated dialogue with the central authority and with other franchises, and responding creatively to feedback and information received from both sources. Thus, a kind of centrally coordinated, non-coercive network might replace the bureaucratic controls

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

characteristic of traditional enterprises in both the capitalist and socialist worlds. Yet, as virtually all analyses have shown, franchising is rarely if ever about balancing autonomy and central control. Instead, the emphasis within franchise arrangements has always been on decentralizing risk and centralizing control; both legal arrangements and new technologies are used to eliminate local autonomy and to maximize the degree of control from the center.[13] Franchises have been the very opposite of what they might be, to the point that it almost seems absurd to speculate in this way.

Informating Technology?

A second example of the contradiction between the possibilities of the new information and communication technology and capitalist relations of production may be seen in the use of information systems within capitalist enterprises. Many of the new technologies make possible the dissemination of sophisticated information to individuals throughout organizations; this information could become the basis for enhanced decision-making at all levels. As one observer has put it, new technologies can be used to "informate" rather than to automate, placing human discretion back at the center of economic activity.[14] However, the reality is that corporations resolutely resist this approach and attempt to use new technologies to centralize authority even further.

As has been well documented, sophisticated computer-based technology has affected the job of machinists in profound ways. Computerized numerical control (CNC) machinery effectively links machine tools to computers and builds in sophisticated feedback loops so that the computer can adjust to changing conditions while operations are going on. In effect, this technology allows machinists' skill and experience to be programmed, threatening their eventual elimination. At the same time, CNC's effects are not unambiguously negative. Computers need to be programmed, and the possibility exists that machinists could be retrained as programmers rather than eliminated. More importantly, CNC

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

devices can be installed so that they allow for direct intervention by workers on the shop floor. In this way, machinists are not eliminated from the process; on the contrary, they are given a degree of control over increasingly sophisticated machinery, which allows them to do work which they would have been unable to do before. Indeed, some studies of CNC indicate that machinists see the ability of the new technology to work to finer tolerances as a tangible benefit of technological change.

Under capitalist conditions, however, it is the dark side of CNC that tends to be emphasized. Employers define the new technology as a way of replacing expensive, recalcitrant skilled workers and are reluctant to allow them to intervene directly in its use. At best, machinists are retained only as a safeguard against the inevitable failures and breakdowns of any complex technology. Similarly, employers are generally reluctant to retrain machinists as programmers, despite the obvious advantages of making use of their expertise, because they are more interested in lowering the cost of labor and in replacing unionized machinists with programmers, who typically are not unionized.[15]

In a different context, new information systems in banking illustrate a very similar process. The installation of sophisticated information systems allows banks to generate, process, and circulate information about customers, financial markets, and other matters almost instantaneously. Because these data are generated automatically, and because they are on line, they can, in principle, be accessed by any bank employee with a networked computer terminal. The "informating" implications of this technology are quite clear; but how has the technology, in fact, been used?

Studies of contemporary banking indicate that the technology has been defined largely as a device for replacing labor, in this case, middle management labor. Middle managers, who once generated much of the data that is now processed automatically, and who supervised lower level tellers and bank workers, are being replaced as the computers do their work for them and as some of the work they once did is delegated, in highly formatted ways, to lower level workers

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

linked to computer terminals. The distinction between bank managers' work and that of tellers is increasingly blurred; tellers are slowly replaced by on-line banking systems such as ATM's; and the information systems are used to allow for centralized control over those tellers who remain.[16] Studies of contemporary office automation find a similar process of replacing middle-level managers and professionals.[17] As Zuboff found in her original discussion of "informating" technology, managers have great difficulty accepting technological change unless it is defined as a way of replacing labor and reducing labor costs.

Thus, capitalist relations of production constitute technology as a way of controlling and replacing labor and impede the possibility that technology might democratize the workplace. Yet, even under capitalist conditions, the contradictions of this use of the new technology begin to become apparent. In their zeal to create information systems that restrict employee behavior and control their actions, designers and managers may actually disable the organization; by failing to incorporate informal organizational practices into the design, they may prevent employees from doing their jobs. The result is that they may be forced to disable the very systems they designed in order to allow work to go forward. Similarly, users are often able to subvert highly controlling systems and turn them, at least in part, to their own ends.[18] In the case of banking, the contradictions are even more obvious. Systems are installed with the explicit purpose of reducing teller discretion, replacing middle level management, and increasing centralized control over information flow and the behavior of employees. Yet, at the same time, under pressure from external markets to extend the range of banking services available to customers, banks are forced to "upgrade" tellers; the new technology is used to provide tellers with information and abilities that they can use to sell a wider variety of banking services and products to customers. Banks are clearly uncomfortable with this contradiction, and do whatever they can to limit and "program" away teller discretion. Nevertheless, the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

underlying contradiction does not disappear and the possibilities of the new technology cannot be entirely suppressed.

Home Work

Finally, we come to electronically mediated home work, which has become the focus of much contemporary comment on the effects of new communication and information processing technology. Much of the speculation about how new technologies are revolutionizing the work/home distinction may be dismissed as pure fantasy or wishful thinking. Such a radical transformation of fundamental social relations is simply not compatible with capitalist relations of production. However, careful examination of the realities of electronically mediated home work under capitalism reveals how the new technologies might, under different circumstances, facilitate such a transformation. Indeed, it is already emerging, in embryonic form, in the experiences of certain kinds of contemporary home workers.

It is abundantly clear that the new information and communication technology does make possible a significant shift of work away from centralized workplaces. In particular, the ability of individuals to log on to computerized information systems and networks from remote locations eliminates many of the traditional obstacles to working off site. Most jobs require access to information and a degree of communication among individuals. New technologies have substantially reduced the degree to which these are dependent upon spatial proximity. Some limits on real work may remain, making speculation about the demise of all central workplaces unrealistic. For example, there is considerable evidence that certain kinds of team work, especially that involving brainstorming, depend on direct, face-to-face interaction.[19] It is also unclear that everyone would want to work off site all the time, even if such work were organized in desirable ways; some individuals clearly prefer to separate work and residence and find the experience of working at home to be isolating. Nevertheless, the potential for a considerably more decentral-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ized workplace exists, in large part because of the development of new communication and information technologies.

The existing research on home work indicates that it is a diverse phenomenon, including everything from highly exploited low-wage workers to well-paid professional telecommuters. Few generalizations about such a diverse group of workers are possible. However, if we consider the experiences of one segment of the emerging group of electronically mediated home workers, the potentially transformative implications of home-based work become apparent. The fact that their experience is not typical indicates the degree to which capitalism impedes the development of potentially desirable new work arrangements that use new technologies in creative ways.

As indicated above, one segment of the new electronically mediated, home-based workforce consists of well-paid telecommuters. Cultural workers, technical professionals (such as engineers or computer professionals), business consultants, and others are able to perform much of their work at home while retaining many of the most desirable elements of their jobs. As Phizacklea and Wolkowitz note in their study of home work, such workers are able to avoid choosing between work and career; instead, they are able to combine gratifying work, high incomes, and high levels of autonomy with the personal satisfaction of being able to avoid travel and spend more time with their children and families. These home workers may pay a price in the form of delayed or even reduced career opportunities. But one can argue that this is a choice they have made freely and that the cost is relatively low, inasmuch as they still have desirable jobs and have enhanced other aspects of their day-to-day lives.[20] They are in the unusual position of having been able to negotiate flexible work arrangements of a kind that significant numbers of employees apparently would like but are unable to obtain because of the rigidity of most employment relationships.[21]

While the experiences of these home workers indicate the potential of new technologies to support desirable, alternative work arrangements, the experiences of most workers

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

suggests that these are highly unlikely to be realized under capitalism. To begin with, the experience of these relatively privileged home workers is not typical; most electronically mediated home work is of a very different, far less desirable character. Most employers define home work as something they allow if it is cheaper than on-site work. Given this motivation, it should not surprise us that large numbers of home workers are poorly paid clerical and manual workers who perform routine labor. Such workers are particularly likely, as well, to have insecure and/or part-time jobs that offer few or no benefits and are subject to obtrusive, sometimes electronic supervision. Under capitalism, the imperative to reduce labor costs trumps all other determinants of the organization of work, making the worker doing billing for an insurance company, not the highly paid professional, the paradigmatic home-based worker.

Moreover, it is striking that most employers resist the extension of home-based work. In general, they are reluctant to allow it in high-skill, high pay jobs; unless they are under real pressure, such as the need to recruit and retain individuals with scarce skills, employers tend to define this kind of work as inappropriate for remote work. Instead, they continue to organize these jobs on the assumption that they must be performed on-site and demand the absolute, undivided attention of their occupants. Such employment, in other words, continues to require long hours and demonstrations of employee loyalty and commitment. The true measure of that loyalty and commitment continues to be hours spent at work, on site.

At the root of this reluctance to extend opportunities for desirable forms of home work are employer concerns about control.[22] Employers resist off-site work because they are uncomfortable with the idea that they cannot physically observe the work being performed. This is a particularly formidable obstacle for more desirable forms of work; because of their inability to oversee such work in rigid, obtrusive ways, employers have traditionally relied on unobtrusive forms of control, including the construction of project teams (within

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

which employees supervise one another), tests of loyalty (involving extreme time demands), and meetings (in which both formal and informal pressures can be applied). They recognize that allowing off-site work would require them to develop new ways of supervising professional workers. In the absence of effective economic pressures to increase the amount of home work, they prefer to rely on traditional methods for organizing such work, which allow them to use the physical location of the worker as part of a system of control. Employers continue to insist on being able to see professional and other privileged workers, despite the fact that the small numbers of home workers in these fields show no indication of being any less productive than their on-site counterparts. Home work is thus confined for the most part to forms of routine work in which the employer can determine for the worker how work is to be performed, and in which mechanisms such as piece work can be used to "motivate" employees. Capitalist impulses to reduce costs and maintain control over employees militate against other possible arrangements.

Finally, it should be added that employer reluctance to allow home work is particularly acute in the case of men. When female workers ask for flexible work arrangements such as home work, employers can reconcile these demands with traditional definitions of gender. The assumption that it is women who will be primarily responsible for child care and domestic labor is used to justify seeing home work as "appropriate" for women. In contrast, a man who asks for home work or other unconventional work arrangements is challenging traditional assumptions about gender. The usual justification for home work, i.e., the desire or need to be at home to perform child care, is not available to male workers, even if they were inclined to use it, because employers generally do not see this as legitimate in the case of men.

Moreover, few men are inclined to ask for home work for these reasons. Research on home workers indicates clearly that men are far less likely than women to indicate child care as the primary reason for working at home. Instead, they are likely to mention other advantages, such as autonomy and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

reduced commuting time. Given the traditional gender division of labor, men perform less domestic labor and are far less likely than are women to feel compelled to rearrange their work to accommodate domestic responsibilities.

As a result, home work is profoundly marked by gender. Most home workers are women and most employers define home work as more appropriate for women than for men. This imposes further limits on the possibilities for extending home work under contemporary capitalism. If home work is only for women with small children, most men will not seek it and will not obtain it even if they do. Moreover, as home work comes to be defined as something for only a specific group of female employees, many women will not seek it either, seeing it, probably correctly, as a kind of "mommy track" employment which at best represents a temporary respite from traditional forms of work, and at worst will have long-lasting negative consequences for job security and careers.

Conclusion

I have argued in this brief review that the most important lesson to be learned from our experience with contemporary electronic and information technology concerns what it tells us about capitalism. These technologies are being used in both positive and negative ways in contemporary workplaces. However, what is most significant is the extent to which employers resist the possibilities for using them in positive ways, even when they are faced with real pressure to do so. In reality, the existence of positive applications of the new technology is testimony to the ability of individuals to resist the normal tendencies of capitalist relations of production, as well as to the contradictory character of capitalism, which tends to create impulses for change which it cannot fully accommodate.

Some observers would have us believe that choices about technology and its uses are simply a matter of culture. Zuboff, for example, tends to suggest that realizing the informating potential of new technology is simply a matter of overcoming

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

managerial resistance, defined in largely cultural terms as habit and ideology. Others counterpose the allegedly more enlightened Japanese approach to new technology to the conservative, punitive approach adopted by U.S. companies. There can be no denying the fact that culture, in these senses, is a factor shaping the way technologies are applied. But it also must be remembered that managerial attitudes do not take shape in a vacuum and that national differences do not eliminate the underlying character of capitalism. The most remarkable thing about the emerging communication and information technologies has been the degree to which, in all countries and companies, there has been resistance to its full development. In this sense, the new technologies are not, as some have suggested, the underpinning of a new "disorganized capitalism," qualitatively different from the one that preceded it.[23] Instead they reveal the extent to which capitalism is organized as it always has been, as a mode of production based on the exploitation and control of labor, a fact which makes it unlikely that the potential of the new technology to facilitate the reorganization of work will be realized.

NOTES

1. Shoshana Zuboff, *In the Age of the Smart Machine* (New York: Basic Books, 1988); Larry Hirschhorn, *Beyond Mechanization* (Cambridge, MA: MIT Press, 1984)
2. Alvin Toffler, *The Third Wave* (New York: Morrow, 1980).
3. Michael Piore and Charles Sabel, *The Second Industrial Divide*, (New York: Basic Books, 1984).
4. Barbara Garson, *The Electronic Sweatshop*, 1988.
5. Eileen Boris, *Home to Work* (Cambridge: Cambridge University Press, 1994), especially ch. 10.
6. Annie Phizacklea and Carol Wolkowitz, *Homeworking Women* (London: Sage Publications, 1995).
7. Alfred Chandler, *The Visible Hand* (Cambridge MA: Harvard University Press, 1980).
8. Ibid.
9. Walter Powell, "Neither Market nor Hierarchy: Network Firms of Organization," in *Research in Organizational Behavior*, ed., Barry M. Staw and Larry L. Cummings (Greenwich, CT, 1990), pp. 295-336.
10. Annalee Saxenian, *Regional Advantage* (Cambridge MA: Harvard University Press, 1994).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

11. For example, see Ronald Dore, *Flexible Rigidities: Industrial Policy and Structural Adjustment in the Japanese Economy, 1970-1980* (London: Athlone Press, 1986).
12. Bennett Harrison, *Lean and Mean: The Changing Landscape of Corporate Power in the Age of Flexibility* (New York: Basic Books, 1994).
13. For a useful discussion of franchising, see Alan Felstead, *The Corporate Paradox: Power and Control in the Business Franchise* (London: Routledge, 1995).
14. Zuboff, *In the Age of the Small Machine.*
15. For discussions of CNC, see David Noble, *Forces of Production* (New York: Oxford University Press, 1984); Bryn Jones, "Destruction or Redistribution of Engineering Skills? The Case of Numerical Control," in Stephen Wood, ed., *The Degradation of Work?* (London: Hutchinson, 1982), pp. 179-200; Leslie Nulty, "Case Studies of IAM Local Experiences with the Introduction of New Technologies," in Donald Kennedy, Charles Craypo, and Mary Lehman, eds., *Labor and Technology: Union Response to Changing Environments* (Pennsylvania State University: Department of Labor Studies, 1982), pp. 115-30.
16. See Vicki Smith, *Managing in the Corporate Interest: Control and Resistance in an American Bank* (Berkeley: University of California Press, 1990); Harold Salzman and Stephen Rosenthal, *Software By Design* (New York: Oxford University Press, 1993).
17. See Barbara Baran, "Office Automation and Women's Work: The Technological Transformation of the Insurance Industry," in Manuel Castells, ed., *High Technology, Space and Society* (Beverly Hills: Sage Publications, 1985), pp. 143-71.
18. See Salzman and Rosenthal, *Software By Design.*
19. See Peter Meiksins and Peter Whalley, "Technical Workers and Reduced Work: Limits and Possibilities," paper presented to the American Sociological Association meetings, Washington DC, 1995, for an assessment of some of the technical limits on off-site work.
20. Phizacklea and Wolkowitz, *Homeworking Women,* pp. 112-16.
21. See Lotte Bailyn, *Breaking the Mold: Women, Men and Time in the New Corporate World* (New York: Free Press, 1993), for a somewhat utopian discussion of this issue.
22. The arguments in this section are developed more fully, with particular reference to the case of part-time professionals, in Peter Meiksins and Peter Whalley, "Expertise at Arm's Length: Controlling Technical Workers in the New Workplace," paper presented to the 14th Annual International Labor Process Conference, Birmingham England, March 1996.
23. See Scott Lash and John Urry, *Economies of Signs and Space* (London: Sage Publications, 1994).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE PROPAGANDA MODEL REVISITED

by EDWARD S. HERMAN

In *Manufacturing Consent: The Political Economy of the Mass Media* (Pantheon, 1988) Noam Chomsky and I put forward a "propaganda model" as a framework for analyzing and understanding how the mainstream U.S. media work and why they perform as they do. We had long been impressed with the regularity with which the media operate within restricted assumptions, depend heavily and uncritically on elite information sources, and participate in propaganda campaigns helpful to elite interests. In trying to explain why they do this we looked for structural factors as the only possible root of systematic behavior and performance patterns.

The propaganda model was and is in distinct contrast to the prevailing mainstream explanations—both liberal and conservative—of media behavior and performance. These approaches downplay structural factors, generally presupposing their unimportance or positive impact because of the multiplicity of agents and thus competition and diversity. Liberal and conservative analysts emphasize journalistic conduct, public opinion, and news source initiatives as the main determining variables. The analysts are inconsistent in this regard, however. When they discuss media systems in commu-

Edward Herman is an economist and media analyst, a regular columnist for *Z Magazine*, and the author of a number of books including *Manufacturing Consent* (with Noam Chomsky, Pantheon, 1988) and most recently, *The Triumph of the Market* (Boston: South End Press, 1995)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

nist or other authoritarian states, the idea that journalists or public opinion can override the power of those who own and control the media is dismissed as nonsense and even considered an apology for tyranny.

There is a distinct difference, too, between the political implications of the propaganda model and mainstream scholarship. If structural factors shape the broad contours of media performance, and if that performance is incompatible with a truly democratic political culture, then a basic change in media ownership, organization, and purpose is necessary for the achievement of genuine democracy. In mainstream analyses such a perspective is politically unacceptable, and its supportive arguments and evidence are rarely subject to debate.

In this article I will describe the propaganda model, address some of the criticism that has been leveled against it, and discuss how the model holds up nearly a decade after its publication.[1] I will also provide some examples of how the propaganda model can help explain the nature of media coverage of important political topics in the 1990s.

The Propaganda Model

What is the propaganda model and how does it work? The crucial structural factors derive from the fact that the dominant media are firmly imbedded in the market system. They are profit-seeking businesses, owned by very wealthy people (or other companies); they are funded largely by advertisers who are also profit-seeking entities, and who want their ads to appear in a supportive selling environment. The media are also dependent on government and major business firms as information sources, and both efficiency and political considerations, and frequently overlapping interests, cause a certain degree of solidarity to prevail among the government, major media, and other corporate businesses. Government and large non-media business firms are also best positioned (and sufficiently wealthy) to be able to pressure the media with threats of withdrawal of advertising or TV licenses, libel suits, and other direct and indirect modes of attack. The

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

media are also constrained by the dominant ideology, which heavily featured anticommunism before and during the Cold War era, and was mobilized often to prevent the media from criticizing attacks on small states labelled communist.

These factors are linked together, reflecting the multi-leveled capability of powerful business and government entities and collectives (e.g., the Business Roundtable; U.S. Chamber of Commerce; industry lobbies and front groups) to exert power over the flow of information. We noted that the five factors involved—ownership, advertising, sourcing, flak, and anticommunist ideology—work as "filters" through which information must pass, and that individually and often in additive fashion they help shape media choices. We stressed that the filters work mainly by the independent action of many individuals and organizations; these frequently, but not always, share a common view of issues and similar interests. In short, the propaganda model describes a decentralized and non-conspiratorial market system of control and processing, although at times the government or one or more private actors may take initiatives and mobilize coordinated elite handling of an issue.

Propaganda campaigns can occur only when consistent with the interests of those controlling and managing the filters. For example, these managers all accepted the view that the Polish government's crackdown on the Solidarity union in 1980-81 was extremely newsworthy and deserved severe condemnation; whereas the same interests did not find the Turkish military government's equally brutal crackdown on trade unions in Turkey at about the same time to be newsworthy or reprehensible. In the latter case the U.S. government and business community liked the military government's anticommunist stance and open door economic policy; and the crackdown on Turkish unions had the merit of weakening the Left and keeping wages down. In the Polish case, propaganda points could be scored against a Soviet-supported government, and concern could be expressed for workers whose wages were not paid by Free World employers!

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The fit of this dichotomization to corporate interests and anticommunist ideology is obvious.

We used the concepts of "worthy" and "unworthy" victims to describe this dichotomization, with a trace of irony, as the differential treatment was clearly related to political and economic advantage rather than anything like actual worth. In fact, the Polish trade unionists quickly ceased to be worthy when communism was overthrown and the workers were struggling against a western-oriented neoliberal regime. The travails of Polish workers now, like those of Turkish workers, do not pass through the propaganda model filters. They are *both* unworthy victims at this point.

We never claimed that the propaganda model explains everything or that it shows media omnipotence and complete effectiveness in manufacturing consent. It is a model of media *behavior and performance,* not media *effects.* We explicitly pointed to alternative media, grass roots information sources, and public skepticism about media veracity as important limits on media effectiveness in propaganda service, and we urged the support and more effective use of these alternatives. We have frequently pointed to the general public's disagreement with the media and elite over the morality of the Vietnam War and the desirability of the assault on Nicaragua in the 1980s (among other matters). The power of the U.S. propaganda system lies in its ability to mobilize an elite consensus, to give the appearance of democratic consent, and to create enough confusion, misunderstanding, and apathy in the general population to allow elite programs to go forward. We also emphasized the fact that there are often differences within the elite that open up space for some debate and even occasional (but very rare) attacks on the *intent,* as well as the tactical means of achieving elite ends.

Although the propaganda model was generally well received on the Left, some complained of an allegedly pessimistic thrust and implication of hopeless odds to be overcome. A closely related objection was its inapplicability to local conflicts where the possibility of effective resistance was greater. But the propaganda model does not suggest that local

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and even larger victories are impossible, especially where the elites are divided or have limited interest in an issue. For example, coverage of issues like gun control, school prayer, and abortion rights may well receive more varied treatment than, say, global trade, taxation, and economic policy. Moreover, well organized campaigns by labor, human rights, or environmental organizations fighting against abusive local businesses can sometimes elicit positive media coverage. In fact, we would like to think that the propaganda model even suggests where and how activists can best deploy their efforts to influence mainstream media coverage of issues.

The model does suggest that the mainstream media, as elite institutions, commonly frame news and allow debate only within the parameters of elite interests; and that where the elite is really concerned and unified, and/or where ordinary citizens are not aware of their own stake in an issue or are immobilized by effective propaganda, the media will serve elite interests uncompromisingly.

Mainstream Liberal and Academic "Left" Critiques

Many liberals and a number of academic media analysts of the left did not like the propaganda model. Some of them found repugnant a wholesale condemnation of a system in which they played a respected role; for them it is a basically sound system, its inequalities of access regrettable but tolerable, its pluralism and competition effectively responding to consumer demands. In the postmodernist mode, global analyses and global solutions are rejected and derided; individual struggles and small victories are stressed, even by nominally leftist thinkers.

Many of the critiques displayed barely-concealed anger; and in most the propaganda model was dismissed with a few superficial cliches (conspiratorial, simplistic, etc.) without minimal presentation of the model or subjecting it to the test of evidence. Let me discuss briefly some of the main criticisms.

Conspiracy theory. We explained in *Manufacturing Consent* that critical analyses like ours would inevitably elicit cries of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

conspiracy theory, and in a futile effort to prevent this we devoted several pages of the Preface to showing that the propaganda model is best described as a "guided market system," and explicitly rejecting conspiracy. Mainstream critics still could not abandon the charge, partly because they knew that falsely accusing a radical critique of conspiracy theory would not cost them anything and partly because of their superficial assumption that since the media comprise thousands of "independent" journalists and companies any finding that they follow a "party line" serving the state must rest on an assumed conspiracy. (In fact it can result from a widespread gullible acceptance of official handouts, common internalized beliefs, fear of reprisal for critical analysis, etc.). The propaganda model explains media behavior and performance in structural terms, and intent is an unmeasurable red herring. All we know is that the media and journalists mislead in tandem—some no doubt internalize a propaganda line as true, some may know it is false, but the point is unknowable and irrelevant.

Failure to take account of media professionalism and objectivity. Communications professor Dan Hallin argued that we failed to take account of the maturing of journalist professionalism, which he claimed to be "central to understanding how the media operate." (*Keeping America On Top of the World*, 13) Hallin also stated that in protecting and rehabilitating the public sphere "professionalism is surely part of the answer."(4)

But professionalism and objectivity rules are fuzzy, flexible, and superficial manifestations of deeper power and control relationships. Professionalism arose in journalism in the years when the newspaper business was becoming less competitive and more dependent on advertising. Professionalism was not an antagonistic movement by the workers against the press owners, but was actively encouraged by many of the latter. It gave a badge of legitimacy to journalism, ostensibly assuring readers that the news would not be influenced by the biases of owners, advertisers, or the journalists themselves. In certain circumstances it has provided a degree of autonomy, but professionalism has also internalized some

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of the commercial values that media owners hold most dear, like relying on inexpensive official sources as *the* credible news source. As Ben Bagdikian has noted, professionalism has made journalists oblivious to the compromises with authority they are constantly making. Even Hallin acknowledges that professional journalism can allow something close to complete government control via sourcing domination.

While Hallin claimed that the propaganda model cannot explain the case of media coverage of the Central American wars of the 1980s, where there was considerable domestic hostility to the Reagan policies, in fact the propaganda model works extremely well there, whereas Hallin's focus on "professionalism" fails abysmally. Hallin acknowledged that "the administration was able more often than not to prevail in the battle to determine the dominant frame of television coverage,"(64) "the broad patterns in the framing of the story can be accounted for almost entirely by the evolution of policy and elite debate in Washington,"(74) and "coherent statements of alternative visions of the world order and U.S. policy rarely appeared in the news."(77) This is exactly what the propaganda model would forecast. And if, as Hallin contended, a majority of the public opposed the elite view, what kind of "professionalism" allows a virtually complete suppression of the issues as the majority perceives them?

Hallin mentions a "nascent alternative perspective" in reporting on El Salvador—a "human rights" framework—that "never caught hold." The propaganda model can explain why it never took hold; Hallin does not. With 700 journalists present at the Salvadoran election of 1982, allegedly "often skeptical" of election integrity,(72) why did it yield a "public relations victory" for the administration and a major falsification of reality (as described in *Manufacturing Consent*)? Hallin did not explain this. He never mentioned the Office of Public Diplomacy or the firing of reporter Raymond Bonner and the work of the flak machines. He never explained the failure of the media to report even a tiny fraction of the crimes of the contras in Nicaragua and the death machines of El Salvador and Guatemala, in contrast with their inflation of Sandinista

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

misdeeds and double standard in reporting on the Nicaraguan election of 1984. Given the elite divisions and public hostility to the Reagan policy, media subservience was phenomenal and arguably exceeded that which the propaganda model might have anticipated.[2]

Failure to explain continued opposition and resistance. Both Hallin and historian Walter LaFeber (in a review in the *New York Times*) pointed to the continued opposition to Reagan's Central America policy as somehow incompatible with the model. These critics failed to comprehend that the propaganda model is about how the media work, not how effective they are. By the logic of this form of criticism, as many Soviet citizens did not swallow the lines put forward by *Pravda*, this demonstrates that *Pravda* was not serving a state propaganda function.

Propaganda model too mechanical, functionalist, ignores existence of space, contestation, and interaction. This set of criticisms is at the heart of the negative reactions of the serious left-of-center media analysts such as Philip Schlesinger, James Curran, Peter Golding, Graham Murdoch, and John Eldridge, as well as of Dan Hallin. Of these critics, only Schlesinger both summarizes the elements of our model and discusses our evidence. He acknowledges that the case studies make telling points, but in the end he finds ours "a highly deterministic vision of how the media operate coupled with a straightforward functionalist conception of ideology" (*Media, Culture and Society*, 1989). Specifically, we failed to explain the weights to be given our five filters; we did not allow for external influences, nor did we offer a "thoroughgoing analysis of the ways in which economic dynamics operate to structure both the range and form of press presentations" (quoting Graham Murdoch); and while putting forward "a powerful effects model" we admit that the system is not all-powerful, which calls into question our determinism.

The criticism of the propaganda model for being deterministic ignores several important considerations. Any model involves deterministic elements, so that this is a straw person unless the critics also show that the system is not logically consistent, operates on false premises, or that the predictive

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

power of the determining variables is poor. The critics often acknowledge that the case studies we present are powerful, but they do not show where the alleged determinism leads to error nor do they offer or point to alternative models that would do a better job.[3]

The propaganda model is dealing with extraordinarily complex sets of events, and only claims to offer a broad framework of analysis that requires modification depending on many local and special factors, and may be entirely inapplicable in some cases. But if it offers insight in numerous important cases that have large effects and cumulative ideological force, it is defensible unless a better model is provided. Usually the critics wisely stick to generalities and offer no critical detail or alternative model; when they do provide alternatives, the results are not impressive.[4]

The criticism of the propaganda model for functionalism is also dubious and the critics sometimes seem to call for more functionalism. The model does describe a system in which the media serve the elite, but by complex processes incorporated into the model as means whereby the powerful protect their interests naturally and without overt conspiracy. This would seem one of the propaganda model's merits; it shows a dynamic and self-protecting system in operation. The same corporate community that influences the media through its power as owner, dominant funder (advertising), and a major news source also underwrites Accuracy in Media and the American Enterprise Institute to influence the media through harassment and the provision of "sound" experts. Critics of propaganda model functionalism like Eldridge and Schlesinger contradictorily point to the merit of analyses that focus on "how sources organize media strategies" to achieve their ends. Apparently it is admirable to analyze micro corporate strategies to influence the media, but to focus on global corporate efforts to influence the media—along with the complementary effects of thousands of local strategies—is illegitimate functionalism!

It is also untrue that the propaganda model implies no constraints on media owners/managers. We spell out the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

conditions affecting when the media will be relatively open or closed—mainly disagreements among the elite and the extent to which other groups in society are interested in, informed about, and organized to fight about issues. But the propaganda model does start from the premise that a critical political economy will put front and center the analysis of the locus of media control and the mechanisms by which the powerful are able to dominate the flow of messages and limit the space of contesting parties. The limits on their power are certainly important, but why should they get first place, except as a means of minimizing the power of the dominant interests, inflating the elements of contestation, and pretending that the marginalized have more strength than they really possess?

Enhanced Relevance of the Propaganda Model

The dramatic changes in the economy, communications industries, and politics over the past decade have tended to enhance the applicability of the propaganda model. The first two filters—ownership and advertising—have become ever more important. The decline of public broadcasting, the increase in corporate power and global reach, and the mergers and centralization of the media, have made bottom line considerations more controlling. The competition for serving advertisers has become more intense. Newsrooms have been more thoroughly incorporated into transnational corporate empires, with shrunken resources and even less management enthusiasm for investigative journalism that would challenge the structure of power. In short, the professional autonomy of journalists has been reduced.

Some argue that the Internet and the new communication technologies are breaking the corporate stranglehold on journalism and opening an unprecedented era of interactive democratic media. There is no evidence to support this view as regards journalism and mass communication. In fact, one could argue that the new technologies are exacerbating the problem. They permit media firms to shrink staff while achieving greater outputs and they make possible global distribution

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

systems, thus reducing the number of media entities. Although the new technologies have great potential for democratic communication, left to the market there is little reason to expect the Internet to serve democratic ends.

The third and fourth filters—sourcing and flak—have also strengthened as mechanisms of elite influence. A reduction in the resources devoted to journalism means that those who subsidize the media by providing sources for copy gain greater leverage. Moreover, work by people like Alex Carey, John Stauber, and Sheldon Rampton has helped us see how the public relations industry has been able to manipulate press coverage of issues on behalf of corporate America. The PR industry understands how to use journalistic conventions to serve its own ends. Studies of news sources reveal that a significant proportion of news originates in the PR industry. There are, by one conservative count, 20,000 more PR agents working to doctor the news today than there are journalists writing it.

The fifth filter—anticommunist ideology—is possibly weakened by the collapse of the Soviet Union and global socialism, but this is easily offset by the greater ideological force of the belief in the "miracle of the market."(Reagan) There is now an almost religious faith in the market, at least among the elite, so that regardless of evidence, markets are assumed benevolent and non-market mechanisms are suspect. When the Soviet economy stagnated in the 1980s, it was attributed to the absence of markets; when capitalist Russia disintegrated in the 1990s it was because politicians and workers were not letting markets work their magic. Journalism has internalized this ideology. Adding it to the fifth filter, in a world where the global power of market institutions makes anything other than market options seem utopian, gives us an ideological package of immense strength.

Further Applications

The propaganda model applies exceedingly well to the media's treatment of the passage of the North American Free Trade Agreement (NAFTA) and the subsequent Mexican

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

crisis and meltdown of 1994-95. Once again there was a sharp split between the preferences of ordinary citizens and the elite and business community, with polls consistently showing substantial majorities opposed to NAFTA—and to the bailout of investors in Mexican securities—but the elite in favor. Media news coverage, selection of "experts," and opinion columns were skewed accordingly; their judgment was that the benefits of NAFTA were obvious, agreed to by all qualified authorities, and that only demagogues and "special interests" were opposed. Meg Greenfield, *Washington Post* Op Ed editor explained the huge imbalance in her opinion column: "On the rare occasion when columnists of the left, right, and middle are all in agreement . . . I don't believe it is right to create an artificial balance where none exists." But with a majority of the public opposing NAFTA, the pro-NAFTA unity among the pundits simply highlighted the huge elite bias of mainstream punditry. It may be worth noting that the transnational media corporations have a distinct self-interest in global trade agreements, as they are among their foremost beneficiaries.

The pro-corporate and anti-labor bias of the mainstream media was also evident in the editorial denunciations (both in the *New York Times* and *Washington Post*) of labor's attempt to influence votes on NAFTA, with no comparable criticism of corporate or governmental (U.S. and Mexican) lobbying and PR. After having touted the puny labor and environmental protective side-agreements belatedly added to NAFTA as admirable, the media then failed to follow up on their enforcement and, in fact, when labor tried to use their provisions to prevent attacks on union organization in Mexico, the press ignored the case or derided it as labor "aggression."[5] With the Mexican meltdown beginning in December 1994, the media were clear that NAFTA was not to blame, and in virtual lock-step they supported the Mexican (investor) bailout, despite poll reports of massive general public opposition. Experts and media repeatedly explained that the merit of NAFTA was that it had "locked Mexico in" so that it could not resort to controls to protect itself from severe deflation. They were oblivious to the profoundly undemocratic nature of this lock-in.[6]

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

As is suggested by the treatment of NAFTA and labor's right to participate in its debates, the propaganda model applies to domestic as well as foreign issues. Labor has been under siege in the United States for the past fifteen years, but you would hardly know this from the mainstream media. The decertification of unions, use of replacement workers, and long and debilitating strikes like that involving Caterpillar were treated in a very low key, and in a notable illustration of the applicability of the propaganda model, the long Pittston miners strike was accorded much less attention than the strike of miners in the Soviet Union.[7] For years the media found the evidence that the majority of ordinary citizens were doing badly in the New Economic Order to be of marginal interest; they "discovered" this issue only under the impetus of Pat Buchanan's rightwing populist outcries.

The coverage of the "drug wars" is well explained by the propaganda model.[8] In the health insurance controversy of 1992-93, the media's refusal to take the single-payer option seriously, despite apparent widespread public support and the effectiveness of the system in Canada, served well the interests of the insurance and medical service complex. The uncritical media reporting and commentary on the alleged urgency of fiscal restraint and a balanced budget in the years 1992-96 fit well the business community's desire to reduce the social budget and weaken regulation, culminating in the Contract With America.[9] The applicability of the propaganda model in these and other cases seems clear.

Final note

In retrospect, perhaps we should have made it clearer that the propaganda model was about media behavior and performance, with uncertain and variable effects. Maybe we should have spelled out in more detail the contesting forces both within and outside the media and the conditions under which these are likely to be influential. But we clearly made these points, and it is quite possible that nothing we could have done would have prevented our being labelled conspir-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

acy theorists, rigid determinists, and deniers of the possibility that people can resist (even as we called for resistance).

The propaganda model still seems a very workable framework for analyzing and understanding the mainstream media—perhaps even more so than in 1988. As noted earlier in reference to Central America, it often surpasses expectations of media subservience to government propaganda. And we are still waiting for our critics to provide a better model.

NOTES

1. Noam Chomsky analyzes some of these criticisms in his *Necessary Illusions: Thought Control in Democratic Societies* (Boston: South End Press, 1989), appendix 1.
2. For compelling documentation on this extraordinary subservience, ibid., pp. 197-261.
3. It should be noted that the case studies in *Manufacturing Consent* are only a small proportion of those that Chomsky and I have done which support the analysis of the propaganda model. Special mention should be made of those covering the Middle East, Central America, and terrorism. See esp. Chomsky's *Necessary Illusions, The Fateful Triangle* (London: Pluto Press, 1983), and *Pirates & Emperors* (Montreal: Black Rose Books, 1987), and my *The Real Terror Network* (Boston: South End, 1982), and (with Gerry O'Sullivan) *The Terrorism Industry* (New York: Pantheon, 1989).
4. In fact, the only attempt to offer an alternative model was by Nicholas Lemann in the *New Republic*. For an analysis of this effort, see Chomsky's *Necessary Illusions*, pp. 145-148.
5. For a discussion see Edward Herman, "Labor Aggression in Mexico," *Lies of Our Times* (December 1994): 6-7.
6. For discussions of the media treatment of NAFTA and the Mexican meltdown, see Thea Lee, "False Prophets: The Selling of NAFTA," Economic Policy Institute, 1995; Edward Herman, "Mexican Meltdown: NAFTA and the Propaganda System," *Z Magazine* (September 1995).
7. "Lost in the Margins: Labor and the Media,! *EXTRA!* (Summer 1990).
8. See Noam Chomsky, *Deterring Democracy* (London: Verso, 1991), pp. 114-121.
9. "Health Care Reform: Not Journalistically Viable," *EXTRA!* (July-August 1993); John Canham-Clyne, "When 'Both Sides' aren't enough: The Restricted Debate over Health Care Reform," *EXTRA!* (January-February 1994).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Continued from inside front cover
section entitled "A Turnaround Decade," in which Thomas Lovejoy, Assistant Secretary of External Affairs at the Smithsonian Institute, is quoted as saying, "I am utterly convinced that most of the great environmental struggles will be won or lost in the 1990s. And by the next century it will be too late." To which the authors add, "Thousands of other scientists around the world who are tracking the planet's health share his sense of urgency."

We are now well into the second half of this supposedly crucial decade. Are there any encouraging signs of the hoped-for turnaround? Lester Brown, President of the Worldwatch Institute, provides an all-too convincing answer in the 1995 Worldwatch report: "In the mid-nineties evidence that the world is on an economic path that is environmentally unsustainable can be seen in shrinking fish catches, falling water tables, record heat waves, and dwindling grain stocks, to name just a few." Yes, just a few. The rest of the report names and analyzes many more.

What is especially noteworthy about these Worldwatch reports is that despite their containing a great deal of useful information and despite a laudable absence of any intent to deny or soft-pedal developments that put powerful interests in a bad light—and are therefore routinely suppressed or distorted in the media—they make no effort at explanation. If you think about this, however, it is really not surprising. The dog is buried not in the facts of environmental deterioration but in the reasons for it. The job of technocratically oriented researchers like those who produce these reports is to provide the facts to people who need them in their work. But neither the researchers nor those who use their output have any need to know the reasons behind the facts. They are what the late Paul Baran called intellect workers in service to the existing regime, which provides them with their livelihood and their ideas.

This regime is capitalism, which has been deeply implicated in the history of the environment since the days of Columbus, and especially since the agricultural and industrial revolutions of the seventeenth and eighteenth centuries. Capitalism is an economic system that is driven by a single-minded devotion to making profits and accumulating capital, with a consequent indifference to and neglect of the effects on the human and material aspects of the production process. It is not part of the Worldwatch mission to get into this area in any way, and to do so would be to invite controversy and criticism. In today's jaundiced political atmosphere, it might even jeopardize the continued existence of the whole enterprise. The leaders of the Institute are surely well aware of this: in all the issues of *State of the World* we have read, we do not recall even one mention of capitalism.

If discussion of capitalism is ruled out, it is obvious that nothing very significant can be said about alleviating environmental deterioration, let alone reversing the trend. This is fully borne out by the Worldwatch reports which generally limit recommendations to preaching good behavior. There is a strong resemblance here between this kind of environmentalism and all-out pacifism. Both are well-meaning; neither is likely to be very effective.

Continued on page 58

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

BEYOND CAPITAL

Toward a Theory of Transition

by ISTVÁN MÉSZÁROS

"A powerful book ... *Beyond Capital* is very much a work for the future, a tool, an instrument for struggle ... not only profound in its analysis but also so passionately inspired by sympathy for the downtrodden and their struggle for liberation."
—Daniel Singer, *The Nation*

In *Beyond Capital*, the internationally esteemed Marxist philosopher István Mészáros provides a major contribution to the task of reassessing the socialist alternative and the conditions for its realization in the light of late twentieth-century developments and disappointments.

Steeped in the philosophical roots and revolutionary world outlook of early Marxism, *Beyond Capital* brilliantly challenges the conventional conceptual framework of socialist theory, worked out in relation to the European experience, and begins the urgent task of elaborating a new socialist theory of transition.

$25.00 PB8812 paper/994 pp. To order: 1•800•670•9499

MONTHLY REVIEW PRESS 122 West 27th Street New York, NY 10001

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED